Impact Bonds and the Ambiguous Politics of Market Ethics

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Declaration of Originality

This thesis is submitted to the University of Warwick in support of my application for the degree of Doctor of Philosophy in Politics and International Studies. It has been composed by myself and has not been submitted in any previous application for any degree.

Abstract

Recent years have seen the emergence of impact bonds, which are a striking case of both the post-crisis ‘social turn’ of finance and the financialisation of social and development policy. In an impact bond, investors pre-finance new social interventions for marginalised target groups. If such a programme can demonstrate positive effects on the lives of the target group, investors are compensated by a public or charitable institution. This thesis offers an in-depth examination of the wider rationalities through which actors ‘make sense’ of and authorise such vehicles—and what political consequences this has. Using a Foucault-inspired analytics of governmentality framework, I develop three case studies of impact bonds that address homelessness and long-term health conditions in the UK, and the gender gap in educational attainment in India, respectively. My investigation is based on document analysis, 32 semi-structured interviews with project stakeholders, and participant observation at project sites and conferences. It demonstrates that, rather than simply reproducing a financial ‘script’, these programmes configure scientific, ethical, managerial, financial, and socio-political rationalities into a programmatic form that employs a fact-based approach to addressing social ills. I unpack how the focus on evidenced results both reassures individuals that they are not mistaken about what it means to invest for good and immunises projects against political confrontation. These considerations lead me to make three interventions to emphasise the ambiguity of impact bonds: (i) outcome measurement is more provisional than commonly suggested, (ii) impact bonds not only finance experimental projects but become a normalised contracting model, and (iii) their focus on ‘victims’ obscures broader socio-economic causes of the social problems addressed. At the same time, however, impact bonds also rework exclusionary constellations ‘from within’ and enable the operation of new (if imperfect) projects and everyday face-to-face interactions. They thus constitute contingent ethical moments that require ongoing engagement.

Abbreviations

A&E	accident and emergency
ASER	Annual Status of Education Report
CCG	clinical commissioning group
CHAIN	Combined Homelessness and Information Network
COPD	chronic obstructive pulmonary disease
CoSA	Council on Social Action
DCLG	Department for Communities and Local Government
DFID	Department for International Development
DIB	development impact bond
DWP	Department for Working and Pensions
EIB	environmental impact bond
ESG	environmental, social and governance
EVPA	European Venture Philanthropy Association
GLA	Greater London Authority
GP	general practitioner
HES	Hospital Episode Statistics
HIB	humanitarian impact bond
HM Treasury	Her Majesty's Treasury
HMP	Her Majesty's Prison
ICRC	International Committee of the Red Cross
IPE	international political economy
LTC	long-term condition
MIS	management information system
MoJ	Ministry of Justice
NHS	National Health Service
NGO	non-governmental organisation
NPM	new public management

NRPF	no recourse to public funds
NVQ	National Vocational Qualification
PAF	Pilot Auction Facility for Methane and Climate Change Mitigation
PbR	payment by results
PIRU	Policy Innovation and Evaluation Research Unit
PSM	propensity score matching
RAIDR	Reporting, Analysis and Intelligence Delivering Results
RCT	randomised controlled trial
SDGs	Sustainable Development Goals
SECO	Swiss State Secretariat for Economic Affairs
SIB	social impact bond
SITF	Social Investment Task Force
SPV	special purpose vehicle
SRI	socially responsible investing
SSF	social studies of finance
TCAF	Transformative Carbon Asset Facility
UK	United Kingdom
UNICEF	United Nations Children's Fund
US	United States of America
USAID	United States Agency for International Development
VONNE	Voluntary Organisations' Network North East

1. Introduction

From the vantage point of post-crisis, austerity politics, and widespread popular acknowledgement of the limits of neoliberalism, recent years have seen an increasing normative critique of unfettered financial capitalism (Jessop, 2013). This has given rise to a range of alternative practices that seek to inflect finance with ethical discourses of poverty reduction, inclusion, humanitarianism, and social equity. For instance, such practices include gender-lens investing (Quinlan & VanderBrug, 2016), racial equity investing (Cambridge Associates, 2018) or investments to achieve the United Nations' Sustainable Development Goals (SDGs) (OECD, 2019). In contrast to studies that locate contemporary finance as a key producer of social inequities (e.g. Piketty, 2017; Sayer, 2015), various practitioners (e.g. Dear et al., 2016) and academics (e.g. Shiller, 2013) now suggest that finance may be used to *reduce* inequities and help address societal challenges. As increased public indebtedness has led to moves to cap both social spending and development aid, it is often argued that—in addition to philanthropy—ethical investments are needed to fill a public 'funding gap', especially in view of the multiplicity of contemporary issues such as climate change, increasing income inequality or international migration (Salamon, 2014, p. 80; Tett, 2019).

From the Burning Man festival (Steiner & Emerson, 2016) to the World Economic Forum (Smiles, Haefele, Carter, Donovan, & Koester, 2017), advocates now promote a new type of finance that challenges an economistic contractual worldview—according to which social and environmental problems only arise as a consequence of negative external effects—and seeks to re-describe investment in people-centred terms. Even Pope Francis called Christians to rediscover ‘this precious and primordial unity between profit and solidarity’ (cited in *The Economist*, 2017a, p. 64). But when former hedge fund managers and private equity professionals enter the stage in Davos or at the Aspen Institute to explain how they are going to improve health, education, and basic welfare for the downtrodden, the propositions presented are full of glaring contrasts. While an ethics of altruism may inform what (financial) actors set out to do with such vehicles, the rhetoric and actions involved in this kind of do-gooding are about generating financial returns. The financial sector and its ways of ‘doing things’ increasingly pervade voluntary and non-profit organisations, schools, and hospitals—and arguably alter the inner workings of such organisations and democratic societies in general.

International political economy (IPE) as a discipline and field of enquiry has long been marked out by a set of central analytical concerns that resonate with this current conjuncture. It has analysed the ‘remoralization’ (Sum & Jessop, 2013, p. 430) of capitalism in the wake of the 2008 financial crisis (Aitken, 2010a; Campbell-Verduyn, 2017; Mader, 2015). As Brassett, Rethel, and Watson (2010, p. 2) point out:

> The question of responding to the subprime crisis [. . .] moves beyond technical fixes to improve the allocative efficiency of the banking sector and is bound up with deeper political and ethical commitments to how finance should be organised and in whose interests that organisation should take place.

Beyond new institutional blueprints for regulatory reform (cf. Baker, 2013), the field has begun to also cover debates about the scope and ends of finance. For instance, scholars have analysed practices of ethical investing such as socially responsible investing (SRI) (Aitken, 2007; Langley, 2010a), gender lens investing (GLI) (Roberts, 2016), and practices of microfinance (Mader, 2015). Moreover, contributions have discussed the question of how finance has come to affect welfare systems, particularly under the zeitgeist of austerity (Hay, 2013). Such analyses have focused on the expansion of asset-based welfare systems (Finlayson, 2009) or the promotion of educational loans among low-income students and their families (Soederberg, 2014, Ch. 5). This literature emphasises that the re-imagination of finance is not only about 'helping people'. On one hand, the actions and rhetoric involved in such helping weave financial rationalities into the fabric of citizens' everyday life and identities. On the other hand, such schemes run the risk of being turned into highly profitable asset streams, with the social purpose becoming a secondary priority. Indeed, this dichotomy between social purposes and private property is influential in the critical IPE literature on the subject.[1]

Beyond the 'social turn' of finance—or rather in addition to it—scholars have recently diagnosed a second shift. Increasingly, we see a tendency to integrate finance *directly* into development aid and welfare arrangements (Brooks, 2015; Karwowski, 2019), evidenced for instance in the financialisation of education and health (Bayliss, 2016; Languille, 2017), the conflation of digital money and welfare payments (Bantock, 2018) or the emerging development finance regime (Mawdsley, 2018a). Instead of an abdication of responsibilities by the collective, we witness the increased hardwiring of finance into the management of social issues; not a handing over of social issues to financial markets, actors and logics, but an integration of finance into social and development policy; not a retreat of public institutions, but their financialised reconfiguration (Lavinas, 2018). It is a shift from finance *as* welfare/development to *financialised* social and development policy.

[1]This dichotomy is discussed in more detail in Section 2.3.

1.1 Impact Bonds and the Financialisation of Policy

This thesis looks at social impact bonds and development impact bonds. It is argued that they are a striking case of both the post-crisis 'social turn' of finance and the financialisation of social and development policy. Impact bonds are public-private partnerships that finance social interventions such as family therapy, outreach work for rough sleepers or programmes for marginalised indigenous people (Dear et al., 2016, pp. 80–88). Public institutions (or other organisations on whose behalf a programme is delivered) reimburse and compensate investors if programmes meet agreed-upon social outcomes targets, such as improved emotional wellbeing of service users or successful labour market integration (cf. Dear et al., 2016; Gustafsson-Wright, Gardiner, & Putcha, 2015). In the US, impact bonds are therefore referred to as 'pay-for-success' contracts (Albertson & Fox, 2018).

The world's first social impact bond (SIB) was launched in September 2010 in the UK, designed to reduce reoffending by short-sentenced prisoners released from Her Majesty's Prison (HMP) Peterborough in Cambridgeshire. An amount of £5 million was raised from 17 different social investors (mostly foundations and charitable trusts) and geared towards financing a range of mentoring, education, and social support services for 3,000 male prisoners both inside the prison and after their release. Since the much-heralded launch of this 'granddaddy of all social impact bond-financed projects' (Bank, 2015, para. 3), the mechanism has gained traction. To date, over 100 social impact bonds (SIBs) have been contracted in a social policy and health context, predominantly in Anglo-Saxon countries. More recently, so-called development impact bonds (DIBs) have been introduced to achieve improved social outcomes in developing countries (Alenda-Demoutiez, 2019). In 2017, the first 'humanitarian impact bond' (HIB) was launched by the International Committee of the Red Cross (ICRC), geared towards providing physical rehabilitation services for disabled people in countries affected by violence and conflict (Maurer, 2016). This development has been accompanied by the emergence of new actors that invest (including trusts and foundations), as well as intermediary and advisory organisations and fund managers who bring actors together and advise on the structuring of such projects (Williams, 2018).[2]

The 'market' for these vehicles is still estimated to be relatively small, at around $514 million in contract size and $210 million of investment in 2017 according to Floyd (2017, p. 3).[3] While the the macroeconomic importance of impact bonds is limited, 'significant hopes and political capital have been invested in them and their potential implications for future economic and social policy are considerable' (Sinclair, McHugh, & Roy, 2019, p. 2). Recent years have seen the launch of numerous initiatives to promote and conduct research into impact bonds, such as the G8 Social Impact Investment Taskforce, Big Society Capital (a social investment wholesale institution set up by the UK government with a particular emphasis on impact bonds), and the Impact Bonds Working Group, a group of public and private sector donor organisations seeking to scale up impact bonds in service of delivering the SDGs (Impact Bonds Working Group, 2019; World Economic Forum, 2018). According to Spiess-Knafl and Scheck (2017), impact bonds are now 'the most popular approach to fund initiatives in the social sector' (p. 90).

A growing number of IPE scholars have looked at the phenomenon of impact bonds through the lens of financialisation, that is, as part of a global transformation process of capitalism that entails the capture of various resources by finance through an expansion into mundane territories (Dowling, 2017; Schram, 2015). These analyses have typically focused on the formal features of the impact bond model, arguing

[2] Throughout the thesis, I refer to the model as 'impact bond' as this term captures the various types of financing models and interventions realised under this mechanism in social policy, international development as well as humanitarian interventions (cf. section 4.2).

[3] See also Chiapello (forthcoming); Arena, Bengo, Calderini, and Chiodo (2016) show that impact bonds' 'rate of adoption is still relatively modest and the diffusion curve is far from ramping-up' (p. 928).

that it allows financial capitalism to transform public assets into a new source of exploitation by converting social services into collateral that can be leveraged to extract value through speculative activities (e.g. Ogman, 2018). Importantly, this research opens up questions of power and subjectivity—in contrast to the mainstream (business) literature, which commonly only focuses on impact bonds' benefits and disadvantages in terms of process and outcome effects (cf. Albertson & Fox, 2018; Fraser, Tan, Lagarde, & Mays, 2018; Jackson, 2013a). In particular, the IPE literature on impact bonds highlights the potential for the regressive re-distribution of wealth that impact bonds bring about (Harvie & Ogman, 2019). Scholars typically argue that through the emergence of impact bonds, market-based rationales have come to pervade the social and crowd out the social values which should inform the provision of social services and development programmes. The emergence of impact bonds is assumed to form part of a linear financialisation process that performs a type of 'responsible capitalism', but ultimately subordinates social and moral values (that otherwise inform the operation of voluntary and non-profit organisations) to market rationality.

Recent interventions by Guter-Sandu (2018) and other scholars (Barman, 2015, 2016; Chiapello & Godefroy, 2017; Langley, 2018) have challenged this understanding of impact bonds, and impact investing more broadly. Building from the 'social studies of finance' (SSF) and the valuation literature, these authors argue that the emergence of impact bonds is based on socio-technical devices (or infrastructures) that do not simply crowd out or absorb social purposes, but actively attribute worth to them. On this view, analytical focus should be oriented towards the ways in which the market and the social are inextricably combined in this form of marketisation. As Langley (2018) emphasises, the social is *remade* in such marketisation processes, 'shown to be an array of thoroughly liberal associations and subjectivities that are, at once, pluralist, ethical and entrepreneurial' (p. 4). This second literature strand provides us with insightful analyses of the hybrid modality through which vehicles such as impact bonds advance. This thesis seeks to extend these accounts by looking at what emerges *exactly* from these new modalities. How do the heterogenous actors involved—public sector commissioners, charitable foundations, bankers, social service providers, consultants—call forth and operationalise ideas of poverty alleviation or collective responsibility? How are wider questions of realising social values combined with the performance of such novel financial mechanisms? In order to develop answers to these questions, I make the case for examining impact bonds and their particular socio-technical infrastructures as they are deployed in multiple institutions, relationships, and networks.

1.2 Research Question and Method: Case Studies of Governmentallty

This thesis seeks to provide an in-depth and critical inquiry into the ways in which actors 'make sense' of and authorise impact bonds. It interrogates impact bonds in relation to their formation and concrete everyday operation to diagnose the rationalities and techniques that 'make them up', and the consequences they have. Building on Guter-Sandu (2018) and Langley (2018), the focus is on retaining analytical sensitivity to the specific hybrid modality of the emergence of impact bonds—rather than treating the market sphere as an arena on which social purposes merely impinge. This is not to naïvely celebrate the co-existence of *value* (in an economic sense) and *values* (in a socio-political sense), but to advance a nuanced understanding of power relationships and the logics that constitute this form of financialisation.

To generate conceptual tools capable of advancing such a critical analysis, this thesis uses a Foucault-inspired analytics of governmentality framework (Bröckling, Krasmann, & Lemke, 2010; Collier, 2009). This approach reflects Foucault's working hypothesis that 'things' must be constituted as a certain object of thought—a problematisation—so that they can become knowable and available for interventions that govern populations. Governmentality 'as we know it' has been accused of constructing a single neoliberal apparatus, employing an 'often sterile cookie-cutter approach or the application of a template, a method, or a few catchwords' (Donzelot & Gordon, 2009; Rose, O'Malley, & Valverde, 2006).[4] Recent studies of governmentality, however, have returned to Foucault's late work that theorises multiple forms of power that operate simultaneously (Collier, 2009)—an idea that has also been adopted by the literature on the study of modern subjectivities of finance (Brassett & Clarke, 2012; Langley, 2008, 2010a; Langley & Leyshon, 2012).[5] Studies of governmentality that build from this conception of power typically seek to avoid deterministic accounts of social transformation. Instead, they foreground careful analysis of the processes through which problematisations are constituted (Walters, 2012).

With regard to the issue of impact bonds to finance social projects, this literature can proffer important understandings as to how different rationalities (liberal, non-liberal, etc.) are configured into a programmatic form. Moreover, this approach allows for closer attention to the question of how the lives of 'vulnerable populations' (Gustafsson-Wright et al., 2015, p. 14) are governed through such interventions. Therefore, this thesis investigates questions around the political rationalities and practices that animate the formation of impact bonds, understood as 'composite results' (Lai, Rethel, & Steiner, 2017, p. 963) that inextricably combine social purposes and market logics. Rather than conceptualising impact bonds as something that is imposed on actors, the focus is on the politics of the emergence of impact bonds, the ways in which different logics and practices are brought together to form them. Against this backdrop, this thesis seeks to answer the following research question:

[4]By governmentality 'as we know it' I refer to studies that build from the seminal article 'Governing Economic Life' by Miller and Rose (1990) and the notion of 'governing at a distance'. I provide an appraisal of this literature in Section 3.1.

[5]On this view, power is not to be understood as a commodity which actors can possess but 'something that circulates (. . .) and (. . .) is exercised through networks' (Foucault, 2003, p. 29).

> **Research question one:** *How do impact bonds connect questions of improving the lives and destinies of vulnerable populations with the operation of a financial mechanism?*

As I have sketched out, impact bond-financed programmes are geared towards generating health, education, and basic welfare improvements for people in need through micro-interventions at the local level. While this finance-based approach is implicated in a liberal milieu, it seeks to facilitate social purposes. The focus of research question one is upon how these disparate logics, and associated techniques and institutions, are put together in the form of impact bonds to help vulnerable populations. Two specific sub-questions follow on from this main research question:

> **Research question two:** *Are there any inconsistencies, contradictions and gaps within impact bonds' logic of government?*

With research question two, I seek to investigate whether there are certain gaps, fractures and competing ideas within impact bonds' logic of government, and what they consist in. The second sub-question I seek to answer is:

> **Research question three:** *What are the political consequences of the forms of government adopted through impact bonds?*

Research question three places the answers to the two previous research questions in a broader political context, which might inform analysis of ethical investing more broadly conceived and the ways in which it is integrated into contemporary transformations of social and development policy.

Governmentality studies have flourished over the past two decades and have become a 'broad church' working with different Foucauldian 'raw materials' and different methods of data collection. To answer the research questions outlined above, three Foucauldian concepts are introduced to frame the research: (i) topologies of power (Collier, 2009), (ii) two distinct processes of subjectification (May, 2014b), and (iii) the ‘politics of life’ (Fassin, 2009, 2010a). In what follows, I first provide a brief overview of these three concepts, to then elucidate the fieldwork approach and the case study projects analysed.

Topologies of Power and the Politics of Life

In his seminal article on ‘topologies of power’, Collier (2009) argues that governmentality scholarship ‘as we know it’ often misses the descriptive analyses that Michel Foucault undertook in the late 1970s. Rather than using governmentality as a master concept, Collier (2009) suggests that Foucault moved to a ‘topological analysis’, geared towards studying specific constellations of both liberal and non-liberal rationalities and techniques that have to be analysed in context. This concept echos Paul Langley’s call for ‘a topological understanding of how the marketization processes of social finance take place’ (Langley, 2018, p. 3).[6]

The focus of topological analyses should be on forms of thinking that reconfigure existing mentalities and practices of government, and bring a new constellation into being. Collier (2009) proposes to understand thinking as a ‘situated practice of critical reflection’ (p. 80) through which prevalent governmental forms are reflected upon, reworked, and deployed (see also Collier, 2011, p. 19). On this view, analysis can never focus on discourses alone, it also needs to capture ‘the moments in which people’s lives are molded by the practices in which they are engaged’ (May, 2014b, p. 500). Analysing constellations of liberal and non-liberal rationalities in this way suggests links to ‘complex processes of subjectification that do not involve simple self-domination’ (Brady, 2014, p. 24).

[6] Langley (2018), however, has located his article within the study of cultural economy studies on marketisation processes (cf. Çalışkan & Callon, 2010; Muniesa, Doganova, & Ortiz, 2017). Mitchell (2017a, pp. 115–116) has explicitly endorsed Collier’s approach as a useful framework for the analysis of impact investing and similar practices.

Second, I therefore 'zoom in' on Michel Foucault's theoretical work on subjectification as this allows for an engagement with the sub-institutional power-relationships and social practices within and through which subject positions are called forth, take hold, and get reproduced (Langley & Leyshon, 2012). I develop a distinction between (i) subjectification through social practices and (ii) self-formation within and through social practices. In this view, 'truth' is not understood as a category that is imposed on individuals, but rather as something that emerges from obligatory discourses on the self (Kelly, 2013; May, 2014b; Veyne, 2010). While the self is an effect of the social power/knowledge nexus, it is also an effect that interacts with the nexus. To my mind, this implies not to give too much agency to the concept of impact bonds (and the calculative practices entailed), but to try to understand how actors make up impact bonds.

Third, the research is framed by the work of Didier Fassin (2007, 2009, 2010b) who suggests that Foucault's shift from a stable and coherent conception of power to a constellation of different rationalities also involved 'a shift from life to populations' (Fassin, 2010b, p. 197). This shift is important to interrogate the issue of impact bonds to finance social programmes as it stresses that social issues are not automatically a question of biopolitics. What is at stake is not just 'governing life', but rather the ways in which meaning is ascribed to specific populations, which then become targeted (and calculated) by interventions—while other existences are excluded (Fassin, 2010b, p. 197; cf. Rabinow & Rose, 2006). This notion goes beyond Foucault's initial analysis of biopolitics, which made more totalising and epochal claims about power in modernity (cf. Foucault, 2003, pp. 245–246).

Linking the 'politics of life' to the work of Collier (2009), I propose to focus on the question of how 'life' (or a specific population) gets problematised in a 'space in which diverse topologies of power may be observed' (p. 80). This makes it possible, then, to reflect on the kind of 'precariousness' that gets administered by impact bonds, by whom, and how actors make sense of such interventions. Having summarised the Foucauldian concepts that inform my research, I will now elucidate the method.

An Experimental Investigation of Case Studies

In terms of method, I build upon Collier (2011) and Lippert (2005) who combine analytics of governmentality with fieldwork to scrutinise political rationalities and technologies that animate particular historical formations (cf. Brady, 2014, 2016). If one adopts the theoretical framework outlined above, the research focus is on the 'concrete practices' (Foucault, 2010, p. 3), 'bottom-up' operations as well as the 'micro-physics of power' (Foucault, 1977, p. 26; Pasquino, 1993). In this thesis, I develop three case study projects that are geared towards tackling: (i) homelessness in London (UK), (ii) socioeconomically patterned health conditions in Newcastle upon Tyne (UK), and (iii) the gender gap in education in the Bhilwara district of Rajasthan (India). This allows me to cover a wide and diverse range of perspectives while still working on the notion individuals construct of impact bonds in different contexts (cf. Patton, 2014). In what follows, I provide a brief overview of the three programmes examined in this thesis.

The first case study project is the London Homelessness SIB. This project was the second SIB ever developed and the first one to address homelessness. Operational from 2012 to 2015, the SIB sought to support over 800 long-term homeless persons in London, many of whom suffered from complex issues around drug and alcohol use and mental or physical illness, and 'whose needs were not being met by existing services' (Mason, Lloyd, & Nash, 2017b, p. 1). Consisting of two different sub-programmes, the SIB provided individuals with a dedicated key-worker to advocate for them and help them off the streets of London.

The second case study looks at Ways to Wellness, the first SIB in health. This programme focuses on patients with long-term conditions (LTCs) such as chronic obstructive pulmonary disease (COPD), heart disease or epilepsy. The SIB was initiated in July 2015 with a project duration of seven years.[7] The programme uses so-called social prescribing, geared towards supporting 11,000 patients through non-medical approaches outside the general practitioner (GP) surgery to improve beneficiaries' self-care and wellbeing through sustained lifestyle changes (Ronicle & Stanworth, 2015). This is done through the work of dedicated 'link workers'.

To showcase and unpack how the impact bond mechanism wanders and travels from a social policy context to international development, the third case study investigates the world's first-ever DIB in education, called Educate Girls. This programme was geared towards increasing school enrolment of girls in Rajasthan, India, as well as improving educational outcomes for both girls and boys in Hindi, English, and basic numeracy. The intervention trained a team of volunteers to conduct door-to-door visits to talk to families and encourage school enrolment of girls. Moreover, the scheme delivered a child-centric curriculum to boys and girls in grades three to five. Operational from 2015 to 2017, the DIB served 15,000 service users.

I employed three different methods of data collection. The first consists of document analysis. I systematically collected both textual and visual representations of the case study projects, mostly academic, policy and industry-based reports, but also newspaper articles, YouTube films, recordings of management seminars, podcasts, and even actual impact bond contracts—all forms of documented information that can serve as a source for explaining human thought, feeling, and action (Glynos & Howarth, 2007; Mayring, 2000).[8]

While analyses of governmentality are often only based on archival methods (cf. Foucault, 2000, p. 233), I used fieldwork to also gain access to discourses and

[7] Although it is not yet completed at the time of writing, it provides an interesting empirical case with regard to the research questions posed.

[8] A more detailed description of the methods and sources is provided in Section 3.3

problems that are otherwise not available (Collier, 2013; Lippert, 2005), and to capture the way thinking subjects act as 'discursive practitioners' (Brassett, 2016; Wetherell & Edley, 1999).[9] Moreover, as Tracy (2010, p. 843) emphasises, method triangulation is a recommended strategy for contextualising and cross-checking qualitative findings. Thus, the second method consisted of semi-structured interviews with actors involved in both the contracting and operation of impact bonds (cf. Longhurst, 2010; Meuser & Nagel, 2009). Using a semi-structured interview guide, 27 interviews were conducted with stakeholders of the case study projects as well as five additional interviews with external professionals to contrast the perspectives recorded.[10]

Building upon Bryman (2001) and Crang and Cook (2007), the third method followed an ethnographic approach. Whenever I was present at the project sites and offices, I recorded subjective and momentary perceptions of infrastructure, locality, and 'moods' in an observational protocol to make social practices visible 'from the "inside"' (Cook, 2013, p. 167). Moreover, I used participant observation in the context of industry-based and academic conferences on impact bonds, as scholars increasingly conceive of conferences as spaces where actors make claims about, contest, and also authorise new concepts and market forms (cf. Garud, 2008; Rethel, 2019).

To systematically and efficiently filter out, compare and structure statements from the data collected, I employed qualitative content analysis (Mayring, 2000; Schreier, 2013). My empirical material—documents, interview transcripts, and observational protocols—was subject to an interpretative process that started from the theoretical considerations elucidated above and, based on the empirical data, established a fully fledged operational list to explain how the operation of a financial mechanism is

[9] As I will elucidate in Section 3.3, the idea of using governmentality together with interviews and observations is not universally accepted (cf. Dean, 2015, p. 359; Rose, 1999, p. 19).

[10] A full list of the interviews can be found in appendix 7.

connected to the provision of individualised social services for people who have been relegated to the fringes of society (research question one) and to map out relevant gaps and inconsistencies (research question two). In a second step, the findings were placed in a broader context to discuss the (wider) political consequences of the forms of government adopted through impact bonds (research question three).

1.3 Central Argument: The Ambiguous Politics of Factivist Finance

My central argument is that impact bonds give rise to a calculative mode of reasoning that is not divorced from ethics, but circumscribes the 'place' of ethics, and what ethics requires, in a very particular way. It is an aspirational logic, one of at once maximising social outcomes and financial gain through a results-oriented structure. The role of private financial risk-taking in this logic consists in facilitating testing grounds for trying out new preventative approaches to address issues of poverty. Such new, untested approaches are believed to otherwise not obtain public funding. The operation of these testing grounds is marked by an outcomes-oriented culture that combines financial techniques (such as due diligence procedures), scientific methods (such as randomised control trials) and management practices (such as performance management) to find out if a given social intervention approach 'works', i.e. has positive causal effects compared to the status quo. Financial gains, in turn, are made contingent upon empirical evidence of the results measured, they are not generated by a financial instrument in the abstract. The goal of these programmes is 'to solve problems rather than just alleviate suffering' (Husain, n.d., para. 5).

I claim that the mode of reasoning that can be delineated in relation to the three impact bonds analysed is not so much 'an ethos about the way money is used' (Nicholls & Pharoah, 2008, p. 2), nor simply a profiteering calculus. I claim that it is an aspirational ethics that does not so much rely on moral virtue or emotionally compelling stories about socially distant sufferers (the prevalent mode of humanitarian reasoning and 'feel-good investing'), but one that is predicated on scientific methods and near real-time data. Based on the neologism 'factivism'—a mash-up of 'fact' and 'activism'—I develop a new concept to frame this conflation of benevolent advocacy, cold hard facts and financial risk-taking under the rubric of 'factivist finance'. The strict outcomes culture reassures investors that monetary returns are not produced by a financial instrument in the abstract, that people's lives are demonstrably improved. By aligning performance measurement, experimental methods (such as randomised control trials) and financial investments in this way, impact bonds almost articulate a 'responsibility to profit' (Andreu, 2018, p. 720).

I emphasise that beyond the utilisation of financial tools and logics, factivist finance is connected to wider discourses of finding evidence of 'what works' in the context of social policy and international development. The pay-for-success model sketches out a particular repertoire for public action: either there are evidenced results that the lives and circumstances of vulnerable groups have been demonstrably improved, or else impact investors pay the bill. The empirical evidence created immunises the transactions against the interferences of political confrontation.

To render this model operable, impact bonds need to constantly generate numerical output, relying on sophisticated IT systems to track, manage and report data. I showcase how these systems are built, managed, and used to make decisions on how to proceed with the interventions and deal with individual service users. The thesis reflects how this outcome-orientated structure enacts a particular 'logic of the everyday', infiltrating social work at the level of subjects who have to spend more time on data collection, reporting activities, and meetings with investors to discuss results. Moreover, the mechanism also reveals a very particular kind of investor involvement. Financial actors are not just seen as a passive source of capital, their role also consists in facilitating and conceptualising such new schemes, attend board meetings, and support and challenge service provider staff to deliver better outcomes. This involvement goes beyond only compiling an ethical investment portfolio—financial actors become involved in complex and experimental social interventions.

These considerations lead me to make four interventions to emphasise the conceptual and political ambiguities as well as the contradictions of factivist finance. First, I argue that outcome measurement is much more complex and provisional than commonly suggested. Impact metrics create a frame for reading and classifying the behaviour of individuals. Defining these metrics is a process of abstraction and simplification that transforms complex issues like homelessness or LTCs into a stable list of actions and social outcomes. I show how these performative lists are always the result of contingent negotiation processes where different logics compete, and where certain metrics and methods of data collection 'win' over other methods that will never produce the 'facts' of impact bonds. The assumptions, compromises and priorities that underpin a projects' metrics are obscured in an everyday logic centred upon near real-time data and the requirement to 'stay on track'.

Beyond the politics of defining metrics, measurement is often inaccurate and prone to errors as it is, simply, very complicated to measure changes in the knowledge, wellbeing, and behaviour of individuals. By way of example, sometimes outcome data is not available altogether, sometimes service users just 'walk away' (and actors do not know what effects programmes had on their lives); sometimes desired positive impact is achieved, but the metrics do not account for it. In addition to that, measurement can also pose a problem to the actors involved in that it just demonstrates the failure of programmes. Actors therefore take various steps to protect impact bonds against excessive external scrutiny, for instance by awarding contracts to service provider organisations that had already been part of the consultation prior to the tendering process, lowering evidencing requirements during the programme, and, critically, by carefully orchestrating the production and circulation of project information. Thus, rather than only measuring the effects of interventions, programmes are also shown to take certain steps towards protecting their outcomes culture against too much external scrutiny.

Second, I problematise the experimental nature of impact bonds. I show that even if impact bonds' experiments succeed in demonstrating social impact, the interventions are repeated as impact bonds—although actors know they 'work'. This relativises the idea of 'seed funding' that is needed to try out innovative approaches that have uncertain outcomes and therefore necessitate private financial risk-taking. The impact bond discourse shifts and increasingly revolves around 'scaling up' interventions, and not so much around testing anymore. This modified logic perpetuates the involvement of factivist finance as guarantor of proper performance management and social impact creation. I argue that this idea of 'large-scale system change' (Dear et al., 2016, p. 63) entails a particular (narrow) conception of a public that happily compensates investors as long as they can demonstrate that, compared to the status quo, interventions significantly improve the lives of people in need.

Third, I suggest that despite their almost scientific problem-solving appeal, the programmes ultimately combine a rational 'outcomes culture' with an *affective* response, directing attention to the 'victims' who have fallen through the cracks of existing services, but who are not 'lost' yet. This shifts the focus away from the broader socio-economic causes of the problems the impact bonds endeavour to solve and directs attention to a humanitarian 'politics of life' (Fassin, 2007). I claim that impact bonds do not only perform a relation of evidence-based assistance but also a relation of inequality, incapable of operating beyond the artificial, particularistic boundaries between 'us' and 'them', that is, between benefactors and sufferers. Co-constituting positive social outcomes and financial returns ultimately means constructing social problems that can be solved through monetary investment.

In a fourth and last step, I unpack how impact bonds also forge productive elements by enabling the operation of new (if imperfect) social interventions—proliferative of local negotiations and everyday face-to-face interactions. Instead of directly challenging structural violence and communal issues, factivist investors seek to interrupt the effects of exclusionary constellations ‘from within’. Precisely by virtue of their technical appeal, impact bonds manage to lock in government funding, bypass a dysfunctional government, and implement interventions at the local level to help those in extreme difficulties. In doing so, actors may think and do certain things ‘without realizing it’ (Veyne, 2010, p. 29): investors might egotistically pursue ‘good’ impact investing, while social workers might be mechanically guided by the pre-defined outcome targets. I argue that only because impact investors do not profoundly transform the social and political ‘order’, they do not necessarily fail to recognise that issues like homelessness or socioeconomically patterned health conditions, are, first and foremost, political problems. Rather than being non-reflective instruments of capitalist interests, the actors involved ‘seek to work through the problems that are specific to their time and place’ (Mitchell, 2017a, p. 123), similar to the Physiocrats identified by Foucault (2007, 2010; Collier, 2009.

While impact bonds can be seen as a topological space where monetary returns may indeed guide actors i.e. as a technology of power with an orienting telos, ‘*it does not saturate all power relations*’ (Collier, 2009, p. 89, emphasis added). Projects are marked by long negotiations about social goals at various levels, between actors with different social positions, material interests, and moral values. I argue that the logics of these programmes do not unfold in a successive or linear manner. Impact bonds are indeed a ‘topological space’ (Collier, 2009, p. 96): it is not as if an ethical cause was simply (and unproblematically) added to a background market structure. The heterogeneity and specificity within and through which such ethical finance unfolds needs to be made visible. More critically, arguing that a market logic saturates all power relations ultimately means to buy into a politics of categorically defining what ethics is, and what it is not.

Overall, this permits me to make an intervention in the study of financialisation. The critical literature tends to read the emergence of impact bonds as a process in which 'the social' gets subordinated to 'the market', resulting in an increased presence of private capital in welfare and development arrangements, a shift towards profit maximisation, the adoption of performance management practices etc. My case studies demonstrate a specific 'pattern of correlation' (Collier, 2009, p. 80) in which heterogeneous elements—such as social and development policy, philanthropic logics, financial tools, ethical discourses, and project management practices—are configured into a programmatic form. To paraphrase (Foucault, 2010), '[d]ifferent events and practices (. . .) are apparently organized around something that is supposed to be' (p. 3) an impact bond. I argue that such calculative reasoning is not divorced from ethics. This instance of financialisation is not a technology of power that can be straightforwardly attributed to market rationality; it is one that is predicated on evidence-based solutions to complex social problems and issues of poverty. It is a programmatic form of financialisation that organises financial and socio-political elements and practices in a very particular way.

1.4 Thesis Structure: Chapter Outline

The argument is made over six chapters. In Chapter 2, I review three different IPE literatures. First, the chapter touches on the question of how IPE scholarship approaches the practices of ethical finance, such as SRI, GLI, and practices of microfinance or 'financial inclusion'. Second, it discusses how financial tools have come to provide (formerly) public goods and services in the wake of the 2008 financial crisis and subsequent recessions. Third, I explain how the existing IPE literature sees impact bonds as a striking case of both the post-crisis 'social turn' of finance and the financialisation of social policy. I argue that the existing literature either explains the emergence of impact bonds in terms of the logic of the expansion of financial markets into the social sector (and struggles to make 'ethics' visible in analytical terms) or revolves around questions of calculation, commensurability, exchangeability, etc. (and forgoes analyses of power and the lived effects of impact bonds). The chapter concludes by making the case for a more integrative perspective to study the power relationships within and through which impact bonds are called forth and reproduced as well as the 'lived effects' they have (and for whom).

Against this backdrop, Chapter 3 establishes the theoretical framework of the thesis, seeking to overcome the limitations identified in the review of the literature. It builds upon the Foucault-inspired literature on governmentalities (Brady, 2016; Bröckling et al., 2010). Three Foucauldian 'concepts' are introduced to frame the research: (i) topologies of power (Collier, 2009), (ii) processes of subjectification (May, 2014b), and (iii) the 'politics of life' (Fassin, 2007). I discuss what implications these concepts have for the study of impact bonds. In a second step, I explain how I conducted fieldwork based on these understandings and introduce three case study projects. I also elucidate how I used qualitative content analysis to filter out, structure, and compare statements from the material collected to develop answers to my research questions.

Chapter 4 'sets the scene' by elucidating the impact bond mechanism in detail and the roles of the different social actors engaged in the impact bond industry. In this context, I briefly discuss the events and practices that led to the formation of the first impact bond at Peterborough prison in 2010, and how this intervention has been annexed by a more global discourse around 'growing the impact bond market', and 'impact investing' more generally. The chapter then focuses on the development of the three impact bond case study projects, the specific actors, and their work in relation to the formation of the programmes.

Having elucidated the emergence of the three case study projects, Chapter 5 then 'zooms in' on the structure and operation of these programmes. I argue that the conflation of evidence-based practices and benevolent finance gives rise to a distinct mode of reasoning—what I term 'factivist finance'. I elucidate in the chapter how measurement practices reassure investors that they do not ‘buy’ into a feel-good device, but into a project that improves outcomes for people in need. Second, the chapter reflects how this outcome-orientated structure enacts a particular ‘logic of the everyday’ marked, for instance, by IT-supported data collection activities and regular meetings with investors to discuss the results thus measured.

In Chapter 6, I first evince the instability of impact bonds’ frames of calculation. I argue that outcome measurement is much more complex and provisional than practitioners commonly suggest and that it also incites efforts to suppress external scrutiny and contestation. In many respects, factivist investors’ claim for greater transparency and the pursuit of blended value thus becomes more and more symbolic. In a second step, I problematise the experimental nature of impact bonds in the chapter by arguing that successfully completed experiments do not lead to public provision (or traditional charitable funding), but to the implementation of additional impact bonds. Thus, rather than being a testing ground for novel intervention approaches, impact bonds re-imagine the commissioning of social and development interventions as based on ‘evidence’ and outsourced financial risk.

Chapter 7 argues that—despite their problem-solving appeal—impact bonds ultimately articulate an emotional response to social issues. By focusing on highly vulnerable individuals, the schemes direct attention to the trope of suffering—and away from the structural conditions that perpetuate the broader socio-economic causes of the social problems they endeavour to address. The schemes give specific value and meaning to human life in that they make a statistical selection of vulnerable existences that are supported (and existences to be excluded). But while the scope of such intervention is limited as elucidated above, social actors do not necessarily fail to recognise that issues such as the gender gap in education in Rajasthan are, first and foremost, political problems. Yet instead of directly challenging structural violence and communal issues, actors seek to interrupt the effects of exclusionary constellations 'from within'. Against this backdrop, I argue that impact bonds do not only reproduce structural conditions that perpetuate poverty but also employ and mobilise these conditions to articulate alternative (if imperfect) responses. I emphasise the importance of foregrounding these dynamics in IPE analyses.

Chapter 8 restates the argument and explains how the findings are relevant to the research questions and themes outlined at the beginning of this introductory chapter. It reflects upon the central contributions and the implications for IPE scholarship and wider interdisciplinary debates. Moreover, it elucidates how the arguments and findings can inform future research agendas and formulates closing comments.

2. The Social Turn of Finance and the Financialisation of Social Policy

In the wake of the 2008 financial crisis, there was a hope that '[t]he "casino capitalism" of the past [would] be tamed, restrained and made more people-friendly by injections of morality, ethical standards and a sense of social responsibility' (J. Clarke, 2010, p. 388). Finance and its morality was marked by a 'loss of faith' (Riles, 2013, p. 556), which led to a re-emphasis on 'benevolent' financial tools, such as socially responsible and sustainable investing or practices of microfinance. In the context of this period of financial reformism, there has been a related rise of social impact investing—'impact investing' for short—a relatively new umbrella term that groups together various initiatives and tools which aim to integrate the creation of positive social or environmental impact with financial return on capital (Höchstädter & Scheck, 2015).[11] The impact bond model is, according to Davies (2014), '[a]rguably the best known form of social impact investment' (p. 3).

The 2008 financial crisis and subsequent recessions have not only brought about a re-moralisation of finance but also led to the formation of new austerity discourses that capped the expansion of social spending as part of the welfare state (Blyth, 2013; Gamble, 2016). As a consequence, costs in the areas of education, childcare, medical care or old-age care have increasingly been shifted onto citizens. This opened up a space for the financial sector to target families, low-income students, and pensioners

[11] I provide a detailed description of impact investing in Section 4.3.

in the Global North through the provision of certain (formerly) ‘public’ goods and services through credit-as-welfare schemes. The existing IPE literature argues that impact bonds are a striking case of both the post-crisis ‘social turn’ of finance and the financialisation of social policy (Dowling, 2017; Ogman, 2018). In order to frame my research on the issue of impact bonds to finance social projects, I review the literature on both developments, that is, the post-crisis revived interest in benevolent finance and the financialisation of welfare. Before going into the substance, I provide a brief overview of the different literature strands, and a discussion of the implications for the study of impact bonds.

While the now prevalent term ‘impact investing’ was only coined in 2007 (Burand, 2015; Höchstädter & Scheck, 2015; Nicholls, 2011), various practices that are grouped together under that umbrella have been around for a longer period of time. Critical IPE studies have covered such precursors of impact investing and I review them in this chapter. Scholars of IPE have looked at practices of socially responsible investing (SRI) (Aitken, 2007; Langley, 2010a) and ‘gender lens investing’ (GLI) (Roberts, 2016). The former is geared towards screening out ‘sin stocks’ (e.g. alcohol, tobacco, arms, oil etc.) from investment portfolios. The latter focuses on a host of initiatives and tools that seek to tackle gender-based inequalities in finance.

Scholars have argued that both GLI and SRI challenge the limited value frameworks of finance by raising questions about the role of values in the global economy. However, the way in which these investment practices contest the mainstream world of Wall Street is limited to (technical) questions around selecting appropriate investment opportunities, sidelining more fundamental question about the role of finance and the broader societal and economic reasons that create inequalities in the first place. Although there has been a long-standing concern for the remoralisation of capitalism in IPE, the analyses by Aitken (2007), Langley (2010a) and Roberts (2016) are, somewhat strangely, isolated occurrences. Scholars have paid far more attention to the ever growing popularity of practices of ‘financial inclusion’ through microfinance and related practices (e.g. Aitken, 2010a, 2013; Mader, 2015, 2018; Rankin, 2001; Soederberg, 2014).[12] Dating back to the mid-1970s, the narrative of microfinance originally foregrounded the reduction of poverty in developing countries. As I elucidate in this chapter, this discourse is changing and increasingly, such practices are framed in terms of providing ‘access to finance for poor people’ (Hummels & Leede, 2014, p. 104), further integrating these vehicles into global macro and micro capital flows (Mader, 2018).

In a second step, I review the literature that analyses how finance has been mobilised as a strategic response to the budgetary limits that are set to public sector spending under fiscal austerity (Lavinas, 2018). I typify this phenomenon as ‘financialisation as welfare’. The 2008 financial crisis and subsequent recessions have not only revived the interest in social and responsible finance but also exacerbated issues of inequality and poverty. In the wake of the 2008 financial crisis, the financial sector has started to target low-income students, families, and pensioners in the Global North, taking over the role of providing certain (formerly) ‘public’ goods and services (Soederberg, 2014). This has brought about an increased presence of financial instruments and intermediaries in the context of welfare arrangements as well as the creation of new financial markets of consumer finance, mortgages, and pensions (Schelkle, 2012). Not only has this development woven financial rationalities into the fabric of everyday life of citizens but it has also led to an endorsement of financial tools as a mitigation of the public expenditure impasse in policy discourses (Montgomerie & Büdenbender, 2015).

Recent years have seen a tendency to integrate finance directly into public policy and welfare arrangements (Lavinas, 2018). I describe this as a shift from financialisation *as* welfare/development to *financialised* social policy, opening a field for private

[12] Another ethically framed approach to finance that gained renewed purchase after the 2008 financial crisis is Islamic finance (Rethel, 2018, 2019; Rudnyckyj, 2017).

investments in social projects delivered on behalf of public institutions (Karwowski, 2019). It has been argued that impact bonds are a paradigmatic case of this shift (Dowling, 2017). Existing IPE accounts of impact bonds argue that this mechanism allows financial capitalism to transform public assets into a new source of exploitation, converting social service delivery into a collateral on which speculation can be built to extract value through speculative activities (Harvie & Ogman, 2019; Schram, 2015). As I elucidate in this chapter, this literature strand commonly explains the emergence of impact bonds in terms of a logic of expansion of financial markets. In this process, social and moral values (that inform the operation of voluntary and non-profit organisations) are subordinated to market rationality.

Conversely, recent interventions have argued that impact bonds emerge precisely by virtue of their capacity to ascribe worth to social purposes, rather than erasing them (Guter-Sandu, 2018; Langley, 2018). On this view, the analytical focus needs to be on the ways in which the social is remade through such market-based practices to understand and explain how this form of financialisation functions. Building from this more integrative perspective, I propose an in-depth case study of the political rationalities and techniques through which impact bonds are mobilised and taken up. Against this backdrop, Chapter 3 will propose a theoretical framework that manages to address questions of power and subjectivity as well as the de-differentiation of social and market spaces.

In order to make this point, this chapter is split into four sections. The first section touches upon the question of how IPE scholarship has approached practices of ethical finance. The second section discusses how financial tools have come to provide (formerly) public goods and services in the wake of the 2008 financial crisis and subsequent recessions. The third section then argues that, increasingly, scholars diagnose an impetus to directly integrate financial tools and actors into welfare arrangements. The fourth section discusses the existing critical literature on impact bonds, which either explains the emergence of impact bonds in terms of the logic of the expansion of financial markets into the social sector (and struggles to make 'the social' visible in analytical terms) or revolves around the question of calculation (and forgoes analyses of power and the lived effects of these schemes). The chapter concludes by making the case for a more integrative perspective to study the politics of the emergence and operation of impact bonds.

2.1 Analyses of Ethical Investing in IPE

A growing body of IPE literature looks at interest-bearing monetary investments that aim to produce a positive social impact. Scholars have looked at practices of SRI where not only financial but also social criteria are applied to the selection of securities (Aitken, 2007; Langley, 2010a). This practice emerged in the early 1970s and typically screens out 'sin stocks' such as alcohol, tobacco, arms, and oil from investment portfolios. It re-imagined ownership of corporate stocks within the political lexicon of the civil rights struggle in particular, and other social movements emerging at the time (Aitken, 2007, pp. 141–142). While largely a practice that emerged through the activities of institutional investors (such as public and multiemployer funds), it also gave rise to individual 'ethical investors'.

Investing is thus not only seen as a self-oriented pursuit of financial gain (e.g. for one's retirement) but also as an ethical commitment to take social and environmental issues into account. As Aitken (2007) and Langley (2010a) highlight, these practices require investors to reflect on investment opportunities from an ethical standpoint and engage a range of social forces that are decidedly wider than any narrow conception of 'financial actors' would suggest. The social domain is thus 'not a bounded space separate from the economic, but exists as the basis of economic conduct and practice itself' (Aitken, 2007, p. 170).

The IPE literature on 'financial subjects' and 'ethical investors' (Aitken, 2007, pp. 145–146; Langley, 2010a, pp. 224–225) has drawn upon the work in Foucault's last decade to argue that the process in which individuals codify and uncover individual ethical principles in SRI has lines of affinity with what Foucault termed the 'ethics of the concern of the self as a practice of freedom' (Foucault, 1997, p. 281). 'Concern' is synonymous with 'care' of the self (*le souci de soi* in French); it is 'a way of relating to oneself in order to elaborate and intensify one's ethical subjectivity' (Jenkins, 2014, p. 58). Moreover, according to Aitken (2007, pp- 167–168), SRI challenges the binary opposition between the institutional/international ('higher activities') and the bottom level (i.e. the 'everyday') by (i) complicating the notion of capital as an entity centred around one set of specific social forces and institutions (Wall Street), (ii) evincing a form of everyday agency that is not external to or separate from capital, and (iii) preserving space for 'the social' although implicated in neoliberal government's webs of power.

However, the way in which SRI contests the mainstream world of Wall Street is arguably limited to (technical) questions of selecting appropriate investment opportunities. Aitken (2007) and Langley (2010a) have both demonstrated how the ethical investor in SRI simultaneously contests (unethical) mainstream investing, yet reconciles 'the personal and the political (. . .) from within mutual fund networks and through individual value choices alone' (Langley, 2010a, p. 224). The ethical investor thus both questions and enacts the (political) limits and possibilities of finance. In a sense, traditional finance's core remains untouched—ethical action is reduced to a question of individual monetary investments that does not engage reflexively with deeper political questions and thus forecloses a more reflexive engagement (Langley, 2010a).

Roberts (2016) has looked at practices of so-called gender lens investing, which include various initiatives and tools that seek to focus on women and reduce gender-based inequalities in finance. She has suggested that, on the one hand, the aims of such initiatives are fairly limited and, on the other hand, ‘that they work to reproduce particular assumptions about the commensurability of gender equality and finance-led neoliberalism’ (Roberts, 2016, p. 69). Importantly, the focus on reducing gender inequality through greater access to financial markets directs the focus away from more pressing problems of gender-based inequalities. It thus considerably reduces the scope to support change in relation to gender-based inequalities in the value attributed to (unpaid and paid) labour as well as broader conceptions of participation.

Beyond the practices of SRI and GLI, scholars of IPE have analysed the ever growing popularity of microfinance and (other) practices of ‘financial inclusion’ (e.g. Aitken, 2013; Bernards, 2016; Mader, 2018; Soederberg, 2013). As Rankin (2001) has demonstrated in her seminal paper on microfinance, investors seek to empower entrepreneurial subjects, primarily women, ‘with cultural propensities to invest wisely and look after their families and communities’ (p. 20) .While proponents have praised such investments arguing that they have ‘shown how well-honed business models that combine profit and purpose can reach millions of poor people’ (Bugg-Levine & Emerson, 2011, p. 55), critical analyses have highlighted the ethical tensions that have arisen, referencing an increasing amount of credit issued for ‘consumption smoothing’ (M. Taylor, 2012, p. 603) and respective ‘predatory lending practices’ (Mader, 2015), as well as the ways in which microfinance is reassembled into a highly profitable asset stream with the social purpose becoming a secondary priority (Aitken, 2010a).

Over time, the narrative of microfinance has gradually changed from a focus on poverty reduction to a narrative of ‘financial inclusion’ after the 2008 financial crisis (Mader, 2018; Soederberg, 2013). Rather than foregrounding the idea of unleashing entrepreneurial activities by facilitating access to credit, the financial inclusion agenda understands access to financial services as a fundamental need and right. Respective practices seek to provide access to banking services to the poor in low-income economies, people who were previously often excluded from financial services (because they lack the necessary collateral), do not have stable employment or a credit history, or simply have no access to banks. As Mader (2015, p. 19) succinctly puts it:

> the emergent doctrine of financial inclusion shifts the goalposts of microfinance, or almost removes them altogether, in that the process of expanding microfinance becomes the end in itself. Microfinance may once have been about gender empowerment, entrepreneurship or poverty reduction, but now it is about finance itself.

Under the banner of 'financial inclusion', recent years have also seen a shift from credit to a 'poverty payment' (B. Maurer, 2015, p. 128) agenda, pursued through new digital technologies governing the behaviour of 'risky populations' (Gabor & Brooks, 2017, p. 425). Through this shift, the practices are also further integrated into global capital flows, dynamically intertwining global macro and micro capital flows, institutions, and logics (Mader, 2018; Young, 2010).

2.2 Financialisation as Welfare

Authors such as Pierson (1998, 2001), Scharpf (1991) or Stephens, Huber, and Ray (1999) have long noted the context of pre-crisis 'permanent fiscal austerity', observed in various, predominantly Western, welfare states with ageing populations and a slowdown of accumulation. In light of stagnant tax revenues, the fiscal scope for launching new programmes to tackle social problems was increasingly restricted. This complex situation was further complicated by the 2008 financial crisis, which prompted a dramatic fall in incomes and, subsequently, continuously decreasing amounts in tax revenue (Blyth, 2013; Gamble, 2016). In addition to that, bank bailouts and fiscal stimuli (which numerous governments provided to stave off recessions) significantly increased public debt.[13] The burgeoning public debt as well as the troubles to refinance these debts led to an 'austerity consensus' (Farnsworth & Irving, 2012) that resulted in efforts to move towards a quantitatively smaller welfare state in many countries and, subsequently, to cuts to welfare budgets (Blyth, 2013; Edmiston, 2014; Hay, 2011).[14] Given this emerging public services expenditure gap, policymakers started to look for new ways to render the implementation of social programmes compatible with budgetary constraints.

One consequence of this development was that welfare costs were shifted onto 'beneficiaries', for example in the areas of education, childcare, medical care, and old-age care (Kersbergen & Hemerijck, 2012, p. 481). Households struggling with these changes had increasingly been targeted by the financial sector, creating some sort of 'debt safety' (Montgomerie, 2013) that came to replace welfare safety (cf. Hay, 2013; Roberts, 2013). Moreover, states increasingly promote debtor-lender relationships between the financial sector and low-income students, families, and pensioners. As Doling and Ronald (2010) have noted, 'rather than relying on state-managed social transfers to counter the risks of poverty, individuals accept greater responsibility for their own welfare needs by investing in financial products' (p. 165). This phenomenon has been typified under the rubric of 'privatised Keynesianism' (Crouch, 2009) and the 'Anglo-liberal growth model' (Hay, 2013) and has, for instance, led to the expansion of educational loans (and other forms of credit) among low-income students and their families (McGettigan, 2013; Soederberg, 2014, Ch. 5). Moreover, so-called asset-based welfare systems have been promoted and facilitated, for instance in the form of private pension insurances or debt-financed housing

[13] In advanced economies, public debt increased from 70% of GDP in 2007 to about 100% in 2011, the highest level in over 50 years (L. Ball, Furceri, Leigh, & Loungani, 2013, p. 3).

[14] Especially in Europe, macroeconomic adjustment had clearly taken lexical priority over issues of social welfare, sometimes giving the Troika veto power over national fiscal policy (Pavolini, León, Guillén, & Ascoli, 2015; Theodoropoulou, 2015). By way of illustration, only seven countries had legally anchored spending ceilings combined with debt targets or sanctions in 1990. By early 2009, the number of such countries had increased to 80 (IMF, 2009).

(Mertens, 2017; Watson, 2009). Such systems incentivise households to accumulate assets to be able to tackle social risks. However, housing-based welfare strategies makes households more susceptible to changes in house prices and financial markets, which often intensifies household indebtedness (Montgomerie & Büdenbender, 2015). Moreover, by definition, it excludes those who simply cannot accumulate assets.

Increasingly, financial inclusion is promoted by businesses and state-led programmes as part of a political consensus. For instance, the expansion of practices of microcredits for the unemployed is being endorsed in the Global North to further self-entrepreneurship and the establishment of small enterprises (Soederberg, 2014; cf. Bruhn-Leon, Eriksson, & Kraemer-Eis, 2013). The expansion of credit provision is sometimes presented as the agreement over a 'growth model' (Gamble, 2009) 'in which certain financial services, in particular providers of credit, are deemed to be part of the basic "infrastructures" of contemporary societies' (C. Clarke, 2019, p. 4). The decline of decent paying labour and social welfare has also given rise to 'violent' (Hembruff & Soederberg, 2019) financial inclusion practices in the Global North, such as payday lending (Aitken, 2010b; Langley, Anderson, Ash, & Gordon, 2019). As Aitken (2015) notes, '[p]ayday lending, (. . .) although not delineated within formal financial inclusion discourse, is often framed by its advocates as a form of inclusion, a way of absorbing populations not well served by formal financial institutions' (p. 165). In summary, as these analyses make plain, there is political backing to make credit available to wider populations (increasingly through platform lending).

Throughout this literature, it is often argued that, in order to continuously expand, financial capitalism must constantly look out for new mundane objects that can be turned into collateral (Jessop, 2013, p. 83; Leyshon & Thrift, 2007, p. 98; Mader, Mertens, & van der Zwan, forthcoming). An impetus can be observed to trace new, stable sources of income/value on which more speculation can be built. This logic of expansion necessitates a creative exploration of unknown (i.e. non-financial) territories and their 'conversion' into collateral through complex mechanisms (such as securitisation), which allow for transforming mundane objects into new asset streams (Aitken, 2015, pp. 38–42; Montgomerie, 2008; cf. Rolnik, 2013; Pryke & Allen, 2000).

At the same time, all of these responses to entrenched social problems under austerity politics have also furthered the financialisation of everyday life (Chima & Langley, 2012; Mader et al., forthcoming; cf. R. Martin, 2002), whereby particular social groups are increasingly connected to (global) financial markets. This connectivity, and the practices of risk-taking and self-management entailed, both affect and are enacted by everyday market life. Ironically, the assistance that these vehicles provide to marginalised existences typically consists of even more financialisation, in other words, the rationales and techniques that caused many precarious situations in the first place (Dowling & Harvie, 2014).

2.3 Impact Bonds: Absorbing or Reconfiguring the Social?

Although entailing an emphasis on the provision of (formerly) public goods and services (Hay, 2013), the vehicles elucidated above operate within the boundaries of the formal 'market economy'. Increasingly, however, we see a tendency to integrate finance *directly* into welfare arrangements (Lavinas, 2018). It has been argued that impact bonds are a striking example of this shift (Dowling, 2017; Schram, 2015).[15] Instead of an abdication of responsibilities by the collective, we witness an increased hardwiring of finance directly into the management of social issues. What can be observed is a shift from finance *as* welfare to *financialised* social policy (Karwowski, 2019).

In this process, social issues are not 'handed over' to financial markets, actors and logics, but finance is integrated into social policy; not a retreat of public institutions, but their financialised reconfiguration (Berndt & Wirth, 2018). This inflection of financialisation, however, is not about turning everyday populations into borrowers or investors. Rather, private investors come to pre-finance social interventions for poor and underserved populations. In turn, investors are offered the possibility of earning a financial return if programmes achieve positive, measurable social outcomes. So, in a way, the emergence of impact bonds brings the two literature strands I have been reviewing in this chapter (closer) together, linking financialised social policy to the post-crisis revived interest in a 'return to the "social" or solidary commitments of finance' (B. Maurer, 2012, p. 418; Campbell-Verduyn, 2017, pp.138–139). As Dowling (2017) has put it, '[i]n recent years, finance's "social turn" has also become relevant for public policy and the welfare state' (p. 294). From this point of view, I now focus on the IPE literature on impact bonds.

[15] This shift is for instance also evidenced by the financialisation of health (Bayliss, Fine, & Robertson, 2017) or the conflation of digital money and welfare payments (Bantock, 2018).

The Financialisation of Welfare

In an impact bond, a public institution, a social service provider organisation and private investors enter into a contract about the provision of individualised support for a vulnerable and marginalised target group. For instance, such support can be geared towards ex-offenders, homeless persons, chronically ill people, marginalised indigenous people, or youths deemed at risk from early deprivation, poverty, and abuse (Williams, 2019). Private investors supply the upfront capital to pay for the project (in part or in full), and also periodically consult with the other stakeholders about the status of the project and possible measures for improvement. In return, investors are offered the possibility of earning a financial return if the intervention succeeds in achieving specified social outcomes (Dowling, 2017; Ogman, 2018).

This logic is justified by a ‘value-for-money case’ (Barclay & Symons, 2013, p. 18) according to which the public purse only compensates investors if such programmes generate significant social value, which will curb welfare dependency in the long run and generate ‘cashable savings’. In order to determine whether the social outcomes of an intervention have been attained, impact bonds use complex measurement and reporting practices to determine the effects of interventions on service users' wellbeing, knowledge, behaviour, and circumstances. If an intervention fails to demonstrate success, the investors will have to bear the costs, that is, they will lose some or all of the principal sum and make no (or little) profit. As Leventhal (2012) puts it, impact bonds ‘allow governments to support prevention without the fear that they will pay the cost and not reap the reward’ (p. 525).[16] How has this phenomenon been addressed by IPE scholars? According to Schram (2015), ‘SIBs represent nothing less than the financialization of the welfare state’ (p. 153). On this view, public policy has come to support the expansion of financial markets into the social sector, and rather than meeting social needs, it subordinates those

[16] A more detailed explanation of impact bonds will be provided in section 4.2.

needs to the interests of the financial sector. Through the techniques of social outcomes measurement employed, impact bonds make it possible to link the formerly unmarketed everyday lives of migrants, rough sleepers, and 'at-risk' children to speculative financial activity to extract value (Lake, 2015, p. 14). On this view, finance captures new resources through an expansion of financial markets into social service delivery, giving rise to a form of 'accumulation by dispossession' (Harvey, 2004), as investors' profits are ultimately paid with public funds, and investors often receive (partial) tax exemption as incentive on top (Dowling, 2017, pp. 302–303; Ogman, 2018, pp. 154–156). Thus, not only is the welfare state dismantled in times of austere politics but the public purse also comes to pay financial returns for purportedly benevolent impact investors.

Moreover, impact bond projects typically build upon charitable labour for social purposes (which is often voluntary work, i.e. unpaid). From this perspective, the voluntary and nonprofit organisations are turned into (social) enterprises, governed as a form of business of profit maximisation, concealing and compromising the raison raison d'être of such organisations (Harvie & Ogman, 2019; Lake, 2015). As Schram (2015) emphasises, impact bonds are 'a public policymaking Trojan Horse for private investors' (p. 170). In the public discourse, however, the actions of impact bonds are not framed as regressive wealth redistribution, but as a benevolent version of financial capitalism, internalising the post-crisis normative critique of unfettered global capitalism by re-describing investment in ethical terms—ultimately 'ethical capitalism' (Ogman, 2019) that responds to the legitimacy crisis of both finance and austerity. This literature understands impact bonds as a 'social neoliberal' (Ogman, 2016) or 'progressive neoliberal' compromise (Ogman, 2019), promoting a (hegemonic) culture of 'responsible capitalism' to win consent (cf. Sum & Jessop, 2013).

In the context of such responsible capitalism, an 'entrepreneurial theory of social change' (Dowling, 2017, p. 303) is promoted according to which social justice and the alleviation of poverty do not so much rely on the democratic society, nor on traditional charity, but on the 'social investor' who emerges in the form of high-net-worth individuals, charitable foundations, and associated ideas of private risk-taking. While such financialised social policy interventions symbolise 'a progressive turn' (Dowling, 2017, p. 305), the schemes are about a regressive re-distribution of wealth. Building upon Gramsci (1971), Ogman (2019) invokes the idea of a 'passive revolution', that is, 'the selective incorporation of elements of an opposition, which for the most part has restored the market order more than it has reformed or changed it' (p. 18). Overall then, it can be said that the existing IPE literature on impact bonds understands impact bonds as a flawed alternative to the liberal economism of recent years, mainly responding to finance's issues of legitimacy after the financial crisis and subsequent recessions. At the same time, the implementation of impact bonds gives control over social policy to financial interests.

Another, yet related, issue highlighted in the literature is that the interventions promoted through impact bonds often seek to stimulate labour market participation in the long run to curb welfare dependency and generate 'cashable savings' (Dowling, 2017; Ogman, 2018, p. 270). This aspect of the operation of impact bonds has been linked to the literature on 'roll-out neoliberalism' (Jessop, 2002; Peck & Tickell, 2002), or a 'flanking mechanism' (Graefe, 2006), which has discussed the idea of 'early intervention' and 'active prevention', as articulated in *The Third Way* (Giddens, 2013) and its political adoption from the mid-1990s onwards through European social democrats such as Gerhard Schröder, Poul Nyrup Rasmussen, Tony Blair and Wim Kok.[17] Central to these policies was the idea of 'activation' and 'capacity building',

[17] However, others diagnose a significant paradigm shift in policy logics and argue that something 'after neoliberalism' (Larner & Craig, 2005, p. 419) is (or was) under construction. See Jenson (cf. 2012, pp. 63–65) for an overview of these academic disagreements. As more recent reviews make plain (e.g. Peck, 2013), even the literature on neoliberalism is somewhat divided across different positions (see also Graefe, 2006, pp. 71–73).

to replace the social security (or ‘passive benefits’) systems inherited from the 1960s by a ‘social investment state’. According to this approach, social investments *today* will stimulate labour market participation in the long run and thus lead to more future taxpayers, who are also more productive and socially included (cf. Jenson, 2010; Morel, Palier, & Palme, 2012).

As Dowling (2017) succinctly puts it, impact bonds mark a ‘shift from a social investment *state* (. . .) to a social investment *market*’ (p. 300, italics in the original) where practices of ‘early intervention’ and ‘active prevention’—and the specific emphasis on identifying and supporting vulnerable risk groups early on—are now pre-financed by private investors who are offered the possibility of earnings monetary returns. Impact bonds thus call upon the self-managing, entrepreneurial subjects of neoliberal governmentality, extract surplus through speculative activities, and simultaneously dismantle the welfare state (Dowling, 2017; Rosenman, 2019).

Other scholars, however, have argued that the actions of impact bonds are not so much geared towards regulating the lives of service users, but pursue different aims. As argued by Cooper, Graham, and Himick (2016), who have conducted an empirical study on the London Homeless SIB (which is also one of my case studies), the service users are understood to be “failed entrepreneurs” who become securitized into the potential future cash flows of investors’ (p. 63). This has been read as the securitisation of social policy (cf. Bryan & Rafferty, 2014; Mitropoulos & Bryan, 2015). Securitisation allows for transforming subjects that are otherwise considered to be ‘valueless’ into laudable investment opportunities and sources of income—rather than really helping them by challenging structural violence and communal issues. Kish and Leroy (2015) have argued that this practice recalls the way that debt was raised to finance the Atlantic slave trade, linking the formerly un-marketed lives of service users to speculative financial activity.

In contrast to the mainstream (business) literature which commonly only focuses on impact bonds' benefits and disadvantages in terms of process and outcome effects (cf. Albertson & Fox, 2018; Fraser et al., 2018; Jackson, 2013a), the reviewed IPE literature does an excellent job of opening up questions of power and subjectivity.[18] It extends the literature on financialisation by showcasing how this vehicle of impact investing is integrated into the contemporary transformation of public welfare provision by the state. As I have elucidated, the literature unpacks how impact bonds allow financial capitalism to convert outsourced social services into collateral which can be leveraged to extract surplus through speculative activities. While this process is allegedly animated by benevolent motives, it regulates the subjects according to neoliberal theories of poverty alleviation and extracts value.

A 'Hybrid Modality' of Marketisation

Recent interventions by Guter-Sandu (2018) and scholars from other fields, such as Barman (2015), Chiapello and Godefroy (2017), and Langley (2018), have problematised—albeit in different ways—the assumption that market-based logics and practices pervade the social and become the orientation of action. They argue that existing critical analyses may lose analytical sensitivity to the way in which impact bonds 'financialise' as their emergence cannot (simply) be explained by virtue of a logic of accumulation and the expansion of financial capitalism. Instead, the authors make the case for retaining analytical sensitivity to social aspects of impact bonds, since this transformation of capitalism precisely unfolds through the facilitation of social purposes. As Langley (2018) puts it, 'what is lacking from the critical literature is an analysis of how the marketization processes of social finance rearticulate "the social"' (Langley, 2018, p. 2).

[18]The critical studies in IPE have been complemented by analyses from other fields such as critical accounting studies (Cooper et al., 2016), geography (Berndt & Wirth, 2018; Rosenman, 2019), sociology (Chiapello, 2015; Golka, 2019; Neyland, 2018) and critical policy studies (McHugh, Sinclair, Roy, Huckfield, & Donaldson, 2013; Sinclair, McHugh, Donaldson, Roy, & Huckfield, 2014; Sinclair et al., 2019).

It is argued that the process of 'market building' which can be observed in the context of impact bonds is not one of (simply) turning a non-market good into an exchangeable (and thus expand the market sphere). Rather, it is a two-step processes. In a first step, valuation is performed, in other words, social problems as well as possible actions and expected outcomes are selected and a framework for estimating 'worth', that is, the valuation of social impact, is chosen. It is only through this operation that the quantification of social value becomes possible (Chiapello & Godefroy, 2017; cf. Roscoe & Townley, 2016). Guter-Sandu (2018) emphasises that even though the (valuation) practices present in the field of impact bonds support financialisation, 'this does not mean they are created in the same flesh' (p. 69). He argues that financialisation in the realm of social policy does not so much unfold through an absorption of the social into a financial logic, but rather 'through the "proliferation" of non-financial spaces of valuation' (Guter-Sandu, 2018, p. 247). On this view, a novel socio-technical infrastructure gauges social value which is 'connected to but ultimately distinct from financial value' (Guter-Sandu, 2018, p. 247). In conclusion, Guter-Sandu (2018) argues that 'capital accumulation can indeed advance in non-financial domains, but only whilst being concomitant and in an intimate relation with particular types and degrees of social value creation (e.g. reduction in ex-prisoner re-offending, increased employment, improved educational attainment, bettering of health status, reduction in homelessness)' (p. 17).

Impact bonds thus conceived connect wider questions of realising social purposes with the performance of a novel financial mechanism; 'the mechanisms behind the encroachment of finance in the field of social policy' (Guter-Sandu, 2018, p. 66) have been demonstrated to work towards the de-differentiation of the boundaries between market and social spaces. The dynamics entailed in such 'hybrid deals' (Nicholls, 2010, p. 76) is analytically troubling, as the topographical accounts of cultural economy studies on marketisation processes can only conceptualise marketisation as an extension of the border between the market and the non-market, that is, as a line of division. Against this backdrop, Langley (2018) proposes a *topological* reading to make visible 'the relational twisting and turning' (p. 11), the entanglements and transformations that can be observed in this space. He introduces the concept of 'the fold' by Gilles Deleuze (1993) to overcome the binaries of topographical accounts. The '[t]opological folding of relations' (Langley, 2018, p. 3) does not absorb the social, but 'remakes "the social" as markets are made' (Langley, 2018, p. 3).

These analyses are important contributions as they unpack the heterogeneity and specificity of processes of financialisation in the context of impact bonds. They sketch out how the valuation practices used in impact investing, and impact bonds specifically, bring a range of heterogeneous problems and objects into a particular frame of calculation which is social and economic. Also, they link back to the analyses of SRI by Aitken (2007) and Langley (2010a), cited at the beginning of the chapter, which foreground the rise of new subjectivities which are not 'either/or', but 'both/and' (see also B. Maurer, 2012). According to Langley (2018), the social that is mobilised as these markets are made up 'is an array of thoroughly liberal associations and subjectivities that are, at once, pluralist, ethical and entrepreneurial' (p. 10).

However, by only focusing on modalities of worth attribution through the socio-technical devices of impact bonds, this literature tends not to foreground the wider social practices, and accompanying knowledges, through which impact bonds are mobilised and taken up. Related, the question of what impact bonds 'do' once they are constituted, remains unanswered. Do they behave like they are supposed to (according to their outcomes-oriented structure) or are they maybe 'less well-behaved'? If we want to study this 'new, hybridised value form' (Guter-Sandu, 2018, p. 242) and its effects more closely, we cannot only 'theorise at a distance' (Mitchell, 2017b, p. 271) but also have to explore the interconnectedness between impact investing and performances within everyday life (cf. Christophers, 2011; Corpataux & Crevoisier, 2016). I make the case for an empirical investigation of the hybrid modality of impact bonds adopted and experienced in concrete settings, and how people take up this hybrid modality. This aspect links back to the point raised by Aitken (2007) in the context of SRI, in other words, the diversity of actors we find in this space might disrupt the dichotomy between the institutional/international level and the 'everyday' (see also M. Davies, 2016, p. 27) as different rationalities operate simultaneously.

In the next chapter, I establish the theoretical framework of the thesis, seeking to overcome the limitations identified in the review of the literature. I will build upon the Foucault-inspired literature on governmentalities, which can proffer important understandings as to how multiple forms of power operate simultaneously, configuring different rationalities (liberal, non-liberal, etc.) into a programmatic form that comes to govern not only investing activities but also the lives of 'vulnerable populations' (Gustafsson-Wright et al., 2015, p. 14) that are targeted by impact bonds.

2.4 Concluding Remarks

To locate my research on the politics of the emergence and operation of impact bonds, this chapter has reviewed the IPE literature on interest-bearing monetary investments, typically in the form of debt or private equity, that seek to integrate the facilitation of social purposes with financial return. I have discussed analyses of SRI (which is a practice that typically minimises negative social consequences), GLI which seeks to promote gender equity and address gender-based issues, and practices of financial inclusion that reveal a shift from investments geared towards poverty reduction to the mere provision of access to banking services for the poor. All of these practices go beyond an understanding of investments as a purely self-oriented pursuit of financial gain, and pursue a dual objective addressing social needs and generating financial return. This concept challenges the assumption that, in a zero sum equation, achieving greater social or environmental impact inevitably minimises financial returns to capital. In the wake of the 2008 financial crisis, there have been growing calls for finance to 'benefit society' (Shiller, 2013, p. 25).

As I elucidated, the existing IPE literature discusses how such practices allow financial subjects to fashion themselves as a certain kind of subject, that is not only capable of increasing its own economic security and welfare but also socially and environmentally conscious and acting in the name of the collective. Against this backdrop, it has been argued that such practices invoke a Foucauldian notion of an 'ethics of "the self by the self"' (Aitken, 2007, p. 146). This opens a space for an everyday agency operating within financial spaces that perform 'the social'. Financial constellations are thus not the province of a single social group or institution. This raises interesting questions about the dichotomy we often find in IPE studies between the institutional/international level and the 'everyday'.

The existing literature argues that by seeing and promoting *investing* as the appropriate model of action, the scope of practices such as SRI, GLI, and microfinance is decidedly limited. Rather than challenging mainstream finance (e.g. by displacing it), the core of finance is re-affirmed through such investments. This re-affirmation, on the one hand, immunises such transactions against the interferences of political confrontation and, on the other hand, directs attention away from strategies for emancipatory change. Moreover, this literature has documented quite a few instances of significant 'mission drift' where practices such as microfinance have been reassembled into highly profitable asset streams, with the social purpose becoming a secondary priority, sometimes even authorising reckless lending practices.

While such 'financialization of poverty' (Schwittay, 2014, p. 8) through financial inclusion typically operated in low-income economies, the last decade has also seen the emergence of the financialisation of poverty in the Global North through different credit-as-welfare schemes that are increasingly promoted and facilitated. In this context, I shone a light on ‘financialisation *as* welfare’ in the post-crisis welfare state (cf. Gamble, 2016), where the decline of decent paying labour and social welfare has paved the way for the financialised provision of formerly public goods and services. In this respect, I reviewed literature on asset-based welfare systems, educational loans, and, again, the changing discourse of ‘financial inclusion’.

The existing IPE literature on impact bonds argues that the mechanism is a striking case of both the post-crisis ‘social turn’ of finance and the financialisation of social policy (Dowling, 2017). Authors have argued that the impact bond model allows financial capitalism to transform public assets into a new source of exploitation by converting outsourced social services into collateral which can be leveraged to extract surplus through speculative activities. In this literature, impact bonds are understood as a flawed alternative to the liberal economism of recent years, mainly responding to finance’s issues of legitimacy after the financial crisis and subsequent recessions, selectively incorporating ‘elements of an opposition, which for the most part has restored the market order more than it has reformed or changed it’ (Ogman, 2019, p. 18).

In this literature, I argued, there is a tendency to frame the integration of finance into the social as a rationalised, teleological, and smooth process to which social purposes are (simply) being ‘added-on’, and ultimately undermined and erased. A second literature strand challenges this appraisal of the relationship between social and financial value. This second perspective holds that ‘the social’ is not crowded out by the operation of impact bonds (and certain other impact investing vehicles). The way in which this type of financialisation advances is precisely through the de-differentiation of market and social logics. Thus, rather than assuming (and therefore critiquing according to) a pervasion of capitalist imperatives into the social domain, the analytical focus should be on how the social is reconfigured by the marketisation processes of impact investing (Langley, 2018, p. 2; Chiapello & Godefroy, 2017). This second perspective holds that the social and market domain are not mutually exclusive and call for further studies of how this hybrid modality is made up (Guter-Sandu, 2018). This literature provides us with insightful analyses of the hybrid modality through which vehicles such as impact bonds advance. Yet, it revolves around questions of infrastructures and calculation, and therefore risks losing analytical sensitivity to the study of power relationships as well as the wider political rationalities and techniques at play. How do the heterogenous actors engaged in this nascent field—public sector commissioners, charitable foundations, banks, social service providers, consultants, academics, etc.—'make sense' of and authorise such vehicles? And how do the vehicles re-imagine the vulnerable groups that the programmes target?

I propose to shift the focus from valuation to looking at what happens as such 'hybrid deals' are enacted. I will propose to build on the idea of governmentality (Foucault, 1979, 2007, 2010) as a form of analysis to develop the theoretical framework for my study. As I will explain, the governmentality literature can proffer important understandings of how heterogenous rationalities get reconfigured into programmatic forms that come to govern the lives of populations. The theoretical framework for the study will be developed in the next chapter.

3. From Technologies of Power to Cases: A Governmentality Method

The previos chapter used two different IPE literatures to frame the research: the studies on the 'social turn' of finance and assessments of the post-crisis 'financialisation of poverty' through practices such as debt-financed housing and credit-as-welfare schemes. In the existing IPE literature, the emergence of impact bonds is classified as a convergence of these two developments, in that benevolent investors now come to address the public social spending gap by pre-financing programmes to improve health, education, and basic welfare for poor populations. Thus, this new instance of financialisation is not geared towards turning everyday populations into borrowers or investors (i.e. not a call for more 'financial inclusion'), but at a re-configuration of (outsourced) social service provision that renders those services investible.

Building on the existing IPE literature, I referred to this phenomenon as an instance of the financialisation of social policy and elucidated how this literature opens up questions of structural power, mapping out how the social sector is leveraged by a form of 'responsible capitalism' that extracts value through speculative activities. However, I argued that this literature has a tendency to assume (rather than empirically study) that the pursuit of financial gain crowds out sociopolitical values (such as distributive justice or collective responsibility) which should inform welfare arrangements—a market logic is contrasted to a 'mission logic' of the social sector (cf. Barman, 2016,

p. 14). The following quote by Sinclair et al. (2014, p. 131) summarises the view that many IPE scholars seem to hold:

> SIBs imply that, for example, the rehabilitation of offenders is no longer prompted by moral motivations but is incentivised by the prospect of profit, and this changes its normative nature.

I have demonstrated that this understanding has been problematised by scholars such as Guter-Sandu (2018) and Langley (2018), who argue that practices of impact investing, and impact bonds in particular, attribute worth to the pursuit of the social good, and it is precisely though this hybrid modality that financialisation advances; the socio-technical infrastructures of impact bonds go *beyond* mere financial value creation.

These contributions foreground the de-differentiation of the boundaries between market and social spaces, which is an intriguing line of argument. I argued, however, that beyond the modalities of valuation and the frameworks for estimating 'worth', research also needs to focus on how impact bonds are made up as policy arrangements within and through wider social practices and knowledges. Moreover, research should also focus on what impact bonds 'do' once they have been made up (beyond increasing the presence of finance in the social sector). I made the case for a theoretical framework capable of addressing these questions—in line with the research questions outlined at the beginning of the thesis.

To develop the framework for the thesis, this chapter draws on the Foucault-inspired analyses of governmentalities (Brady, 2016; Bröckling et al., 2010) and proposes an 'experimental investigation' (Bröckling et al., 2010, p. 15) of impact bonds through fieldwork. Governmentality is a form of analysis, or methodology, that reflects Foucault's working hypothesis of the intertwining of knowledge and power: 'things' must be rendered into discourse in certain ways, so that they can become knowable and available for intervention, to govern populations in a certain way. I suggest that the governmentality literature can proffer important understandings of how heterogenous rationalities get re-configured into programmatic forms that govern populations. This can inform my research in important ways. It shifts attention from the role of socio-technical infrastructures in qualifying market objects to the political rationalities and techniques on which impact bonds are predicated.

Moreover, as I will explain, it can allow for going beyond a theorisation of a single neoliberal apparatus that governs at a distance and for theorising multiple forms of power that operate simultaneously through social policy, philanthropic logics, financial tools, ethical discourses, management practices, etc. (cf. Collier, 2009; Elden, 2016). Analysis of governmentality is therefore an approach that is well suited for addressing questions of how impact bonds are made up by heterogenous social practices and accompanying knowledges, and how they govern the lives of service users. Moreover, as I demonstrate in the chapter, it is also a framework that is capable of investigating the 'lived effects' of impact bonds—rather than assuming that they behave like the mechanisms inscribed in finance/policy. In this chapter, I map out three 'pillars' that will inform my study of the emergence and operation of impact bonds.

First, I draw upon the work of Collier (2009) who suggests that Michel Foucault's work of the late 1970s moved away from governmentality as a master concept to a 'topological analysis'. Collier (2009) proposes to study '"patterns of correlation" in which heterogeneous elements—techniques, material forms, institutional structures and technologies of power—are configured, as well as the "redeployments" and "recombinations" through which these patterns are transformed' (p. 80). On this view, the point of Foucault's late research is not the analysis of a single neoliberalism apparatus, but rather the study of forms of thinking that seek to reconfigure existing mentalities and practices of government which have become problematic (Collier, 2009, p. 100). I explain how such a 'topological analysis' can inform my analysis of how actors, practices and techniques make it possible for impact bonds to take hold, and get reproduced.

Second, I focus on Michel Foucault's theoretical work on subjectification, and the respective Foucauldian-inspired literature, because this allows for an engagement with the sub-institutional power relationships and social practices within and through which subject positions are called forth, take hold and get reproduced. Against this backdrop, the chapter builds on May (2014b) and Veyne (2010, pp. 103–105) to develop a distinction between (i) subjectification through social practices and (ii) self-formation within and through social practices. In this view, 'truth' is not understood as a category that is imposed on individuals, but rather as something that emerges from obligatory discourses on the self. To my mind, this implies to not give too much agency to the concept of impact bonds (and the calculative practices entailed), but to try to understand the actors, practices and techniques that make it possible for impact bonds to take hold and get reproduced. In terms of research agendas, this involves interrogating impact bonds in relation to their concrete everyday operations, to make them visible in empirical and historically situated terms (Neal, 2009b, p. 542; Brassett & Clarke, 2012). In this view, 'truth' is not understood as a category that is imposed on individuals, but rather as something that emerges from obligatory discourses on the self.

Third, I frame the research by the work of Didier Fassin (2007, 2009, 2010a) who suggests that Foucault's move from biopower to governmentality not only was a shift from a stable and coherent conception of power to a constellation of different rationalities (see above) but 'also a shift from life to populations' (Fassin, 2010a, p. 197). This shift, I argue, is important to interrogate the issue of impact bonds to finance social programmes as it stresses that social issues are not automatically a question of biopolitics. Rather, what is at stake is a politics of giving specific value and meaning to human life. Rather than just governing life, life is ‘operated through discourses, programmes, decisions, actions’ (Fassin, 2009, p. 48; Collier & Lakoff, 2008, pp. 22-23). The politics of life makes a selection of ‘existences it is possible or legitimate to save’ (Fassin, 2007, p. 501) and creates (public) representations of these existences. This offers an important theoretical understanding of how—in a topological space—specific vulnerable populations become targeted, and calculated, by interventions, while other populations are excluded (cf. Rabinow & Rose, 2006).

Based on these theoretical considerations, I develop three case studies in the thesis to cover a wide and diverse range of perspectives, while still working on the notion individuals construct of impact bonds in different contexts. I analyse three ‘pioneering’ impact bonds, one in the realm of health, one in the realm of homelessness, and one in the realm of international development (i.e. education in rural India). Looking at projects of the ‘early days’ of impact bonds may help make visible the sub-institutional power-relationships within and through which financial practices and knowledges are called forth, reproduced, and arguably also altered. Both Collier (2011) and Fassin (2012) have proposed using fieldwork, as this allows for drawing attention to ‘the moments in which people’s lives are molded by the practices in which they are engaged’ (May, 2014b, p. 500)—rather than solely focussing on discourses and the socio-technical infrastructures of impact bonds. In this chapter, I also explain how I used document analysis, semi-structured interviews, and participant observation to study the three case study projects.

3.1 Foucault-Inspired Analyses of Governmentalities

For Michel Foucault, government famously referred to the ‘conduct of conduct’, a set of ways of shaping conduct through various agencies and authorities inside and outside of the state and at various spatial levels. In his last lectures at the *Collège de France* (Foucault, 2007; Foucault, 2010), Foucault elucidated the historical development of the idea of governmentality from its prestage of the Christian pastoral in sixteenth-century Western Europe to neoliberal governmentality (cf. Foucault, 1979). In these lectures, governmentality is not presented simply as a question of what we might usually refer to as ‘government’. Rather, it is assumed to be (Foucault, 2007, p. 144):

> ‘the ensemble formed by institutions, procedures, analyses and reflections, calculations, and tactics that allow the exercise of this very specific, albeit very complex, power that has the population as its target, political economy as its major form of knowledge, and apparatuses of security as its essential technical instrument’

This definition reflects the intertwining of knowledge and power: processes of interpretation and knowledge are always the premise for objects to be governed: they must be represented in certain ways, rendered into discourse as knowable, administrable and calculable objects, so that they become available for intervention (Aitken, 2010a, p. 228).

In a second step, Foucault formulates a pre-eminence of governmentality over sovereignty, that is, he privileges it over more centralised forms of power, emphasising that power also arises ‘from below’, beneath the level that is usually studied in political theory (Foucault, 2007, p. 144; May, 2014a). Foucault also privileges governmentality over discipline or rather, he argues that discipline is best understood as a historical form of governmentality which has gradually been displaced by the rise of neoliberal governmentality (Foucault, 2010). Third, Foucault urges us not to understand governmentality as a unified entity or the outcome of rational thought, but as a ‘historical formation’, as the consequence of struggles and certain contingent turns of history (Foucault, 2007, p. 144).

The focus on governmentality allowed Foucault to respond to his critics who argued that his work failed to focus on macro-political issues. Through the concept of governmentality he managed to address the points raised 'without lapsing into the juridical model of power that he criticized in his genealogical writings' (May, 2014b, p. 181). His comparatively small body of work on governmentality aroused attention among English-speaking scholars who built upon these contributions to develop a more nuanced understanding of the politics of the 'new right' . This interest has grown considerably since the 1990s when the anthology *The Foucault Effect: Studies in Governmentality* was published (Burchell, Gordon, & Miller, 1991; Donzelot & Gordon, 2009) and Miller and Rose (1990) presented a novel governmentality approach in their seminal paper *Governing Economic Life* which focuses on the ways in which language renders 'aspects of existence amenable to inscription and calculation' (p. 2). Miller and Rose (1990) proposed to link the study of 'technologies of government' to the idea of language. Building from the notion of translation from Callon and Latour (1981), they suggested that language played a key role in the formation of networks of institutions, individuals, groups, and authorities, 'brought to identify their own desires and aspirations with those of others, so that they were or could become allies in governing' (Rose et al., 2006, p. 89). These networks make possible what Miller and Rose (1990) called, again drawing upon Latour (1987), 'governing at a distance', that is, to act from a centre of calculation on the activities and desires of others. Since then, the social sciences, but also humanities and organisational science, have seen a rise of 'studies of governmentality' (Bröckling et al., 2010, p. 1) that have both deepened and extended Foucault's work on political power (Walters, 2012).

In recent years, governmentality studies have been criticised for developing a tendency to employ governmentality as a master category that uses a more or less stable set of rationalities and technologies to understand and explain various political programmes across multiple spaces (Rose et al., 2006, pp. 97–98). It has been argued that studies of governmentality thus lack a certain openness and fail to pick up on the descriptive analyses that Michel Foucault undertook in the late 1970s (Brady, 2016; Donzelot & Gordon, 2009). In this chapter, I do not aim to settle such debates and identify the 'correct' approach to governmentality. Rather, I seek to elucidate how Foucault's understanding of governmentality can inform my analysis of impact bonds, retaining analytical sensitivity to the heterogenous logics that Guter-Sandu (2018) and Langley (2018) highlight in the context of impact bonds.

Governmentality can provide 'a cluster of concepts' which can help us understand governance 'as an eminently practical activity that can be studied, historicized and specified at the level of the rationalities, programmes, techniques and subjectivities which underpin it and give it form and effect' (Walters, 2012, p. 2). My study on the emergence and effects of impact bonds can benefit from a focus on how a set of heterogenous elements and practices comes together to regulate the lives of 'vulnerable populations' (Gustafsson-Wright et al., 2015, p. 14). Rather than only attending to the part that socio-technical devices play 'in qualifying market objects' (Muniesa, Millo, & Callon, 2007, p. 5), it focuses on 'the political rationalities and technologies that animate a particular dispositif' (Tellmann, 2010, p. 298). Governmentality is therefore an approach to the study of impact bonds that is well suited for addressing questions of politics and the political.In what follows, I elaborate on Foucault's understanding of governance and map out three 'pillars' that will inform my study of the emergence and operation of impact bonds.

3.2 Three Concepts to Frame the Research

Topologies of Power

Collier (2009) argues that the point of Foucault's late research is not the analysis of a single, regulatory neoliberalism, but rather a constellation of rationalities (e.g. liberal/non-liberal, domestic/international, public/private etc.) 'that must be investigated in context' (Mitchell, 2017b, p. 272; Piotukh, 2015, p. 32). Rather than theorising knowledges and technologies as part of a stable and coherent neoliberal set-up, Collier (2009) proposes to study 'patterns of correlation' in which diverse elements and practices (financial, socio-political, ethical etc.) are configured.[19] Collier (2009) suggests that Michel Foucault's work of the late 1970s moved away from governmentality as a master concept to a 'topological analysis', geared towards studying '"patterns of correlation" in which heterogeneous elements—techniques, material forms, institutional structures and technologies of power—are configured, as well as the "redeployments" and "recombinations" through which these patterns are transformed' (p. 80). The focus of topological analyses should thus be on forms of thinking that reconfigure existing mentalities and practices of government, and bring 'to light a heterogeneous space, constituted through multiple determinations, and not reducible to a given form of knowledge-power' (Collier, 2009, p. 100).

For Collier, Foucault's topological analysis is intimately related to an understanding of 'thinking' as a situated practice of critical reflection that allows subjects to step back from prevailing forms of understanding and acting, and to rework and recombine these forms (cf. Rabinow, 2003). This has lines of affinity with the literature on 'ethical investors' discussed in Section 2.1 and the study of modern subjectivities of finance more broadly (Brassett, 2018; Brassett & Clarke, 2012; Langley, 2008, 2010b; Langley & Leyshon, 2012). This literature engenders the individual as a moral and

[19] This understanding has also been endorsed by Mitchell (2017a, pp. 115–116).

responsible agent that not only takes up or resists things, but reworks and reconfigures them. As Collier (2009, pp. 95–96) specifies:

> In this view, thinking is not bound by a knowledge-power regime; it should not be analyzed, as Foucault argued in a late interview, as a 'formal system that has reference only to itself' (Foucault, 1984a, p. 388). Rather, it is an activity that involves a 'degree of constraint as well as a degree of freedom', that makes possible a certain critical distance from existing ways of understanding and acting. In sum, the space of problematization is a topological space, and thinking is a driver of recombinatorial processes.

Thus, individuals perceive new situations based on their internalised experiences, but they also react by adapting to new objective conditions. This means that individuals do not only reproduce their meaning systems but that they also produce and redeploy them (Heller, 1996). Collier (2011) argues that thinking should be analysed as 'a practico-critical activity' (p. 28). While self-understandings are coined by particular social positions, they also allow for new responses that might be capable of transcending the social conditions under which they were formed. Although there are social constraints, people have the possibility of creative self-development according to their self-chosen goals. As Rabinow (2003) notes, '[t]his simple but momentous shift has been lost on many Anglo-American commentators (. . .) who have resisted the implications of Foucault's insight that power was not external to freedom' (p. 45). This suggests links to a second important understanding in Foucault's late work, namely 'his shift away from emphasizing processes of subjugation, discipline and normalization to a concern with more complex processes of subjectification' (Brady, 2014, p. 25).

Subjectification

Two distinct processes of subjectification can be traced in Foucault's later work that are helpful in theorising how new ways of objectifying and speaking the truth about oneself emerge, and new ways in which individuals are able (and required) to be subjects (Burchell, 1996, p. 31). The 'self' is thus always both an effect of the social power-knowledge nexus and an agent that interacts with the nexus. This understanding can help me analyse subjectivity formation in the context of impact bonds. The two processes are elucidated hereafter (following Heller, 1996; May, 2014b, pp. 500–501; Veyne, 2010, pp. 103–105).[20]

Subjectification Through Social Practices

Foucault mainly describes processes of subjectification through social practices in *Discipline and Punish* (Foucault, 1977) and the first volume of *The History of Sexuality* (Foucault, 2008). Foucault (1977) emphasises 'that power produces knowledge (. . .) [and] that power and knowledge directly imply one another' (p. 27). Our daily social practices (including discourses) are thus sustained by power relationships and constitute not only the objects (e.g. madness, sex, or the physical sciences), but also make 'the *self* of each individual into a particular subject' (Veyne, 2010, p. 103, emphasis in the original). Since power relationships are manifold (Foucault, 1982a, p. 221), this process does not arise 'in conformity with a single type of power arrangement' (May, 2014b, p. 499), but is a complex one. It implies that subjects (or 'identities') are shifting, temporary and not connected to an 'essence'. Veyne (2010) calls this process of subjectification 'a kind of socialization' (p. 104) through social practices and their accompanying knowledge. The second aspect is to be a subject of self-knowledge, to which I now turn.

Self-formation within and *Through* Social Practices

Foucault calls this second subjectification process an 'aesthetics of existence' (Foucault, 1984b, p. 231) and mainly elucidates it in the last two volumes of *The History of Sexuality* (Foucault, 1986, 1990). Reflecting on his study of ancient Greek

[20] This section on subjectification is based on ideas that I developed in my master's dissertation (Andreu, 2014, pp. 19–25).

and Roman sexuality, Foucault (1990) proposes 'to analyze the practices by which individuals were led to focus their attention on themselves, to decipher, recognize, and acknowledge themselves as subjects of desire' (p. 5).

Driven by this aim, Foucault explores what is termed 'practices of the self, bringing into play the criteria of an "aesthetics of existence"' (Foucault, 1990, p. 11) and presents various techniques that allow willing individuals to work on a kind of self-cultivation: by regulating their thoughts, conduct, and bodies people fashion themselves as certain kinds of subjects. These practices of the self lead to 'a transformation of oneself by oneself' (Veyne, 2010, p. 104). Thus, while the self is an effect of the social power/knowledge nexus (see above), it is also an effect that interacts with the nexus. Although there are social constraints, people have the possibility of creative self-development according to their self-chosen goals.

Thus, individuals perceive new situations based on their internalised experiences, but they also react by adapting to new objective conditions. This means that individuals do not only reproduce their meaning systems, but that they also produce and use them (Heller, 1996). This links back to Collier (2011) who argues that thinking should be analysed as 'a practico-critical activity' (p. 28). While self-understandings are coined by particular social positions, they also allow for new responses that might be capable of transcending the social conditions under which they were formed.[21]

This thesis bases its analysis of impact bonds on these two understandings of how social practices make us into the kinds of subjects we are. This makes it possible, then, to conceptualise both how subjects are formed by a power-knowledge nexus and the unruly, active subjects that 'answer back' (Herring & Lave, 2001) and act as 'discursive practitioners' (Brassett, 2016; Wetherell & Edley, 1999). The resulting

[21] In *The Psychic Life of Power* Judith Butler (1997) elaborates on Foucault when she argues that a 'subjection' process simultaneously encompasses becoming subordinated to power and becoming a subject, one of self-knowledge (cf. Bhabha, 1994; Mills, 2000, 2003).

subjectivities that emerge from the process of identification can thus be complex, multiple, and get (re)negotiated (Peterson, 2006, p. 120). The subject does not spring forth fully formed, nor is it ever complete or identical with its identity claims. As Langley and Leyshon (2012) argue, there is always a gap: 'the processes of identification in which (. . .) subjects are produced and propelled are necessarily partial and incomplete' (p. 371). As such the subject is never fully disciplined, or docile, but is better thought of as 'uncertain' (Langley, 2007). The subject does not 'escape' or 'overcome' power relations; social processes are about the re-fashioning the subject within power. At the roots of Foucault's work of the late 1970s is a concern with power, truth and subjectivity (Elden, 2016) and as I illustrated in the previous chapter, it has been used to study 'financial subjects' and 'ethical investors' (Aitken, 2007, 2010a; Langley, 2010a; Langley & Leyshon, 2012). Subjectivities that emerge from the process of identification can be complex, multiple, and are also (re)negotiated over time (Peterson, 2006, p. 120). Building from the account of dynamic processes of subjectification elucidated above, I propose to understand social processes as the re-fashioning of subjects within power where subjects are not stable or reliable embodiments of finance or policy discourses, but 'emerge in practice at the intersection of multiple, overlapping and possibly contradictory discourses' (J. Clarke, 2019, p. 193; Langley, 2008, p. 33). Linking this discussion back to the concept of topological analysis, I propose to think of subjectivity formation as a process in and through which people think about, take up, and alter problematisations that their society and culture presents to them (May, 2014b, p. 501).

Having elucidated both the notion of topological analysis and the 'work' of thinking subjects in the formation and alteration of power configurations, I next build upon various articles by the French medical anthropologist Didier Fassin (2007, 2009, 2010a) who offers a third concept that is related to the considerations above. Analysing Foucault's lectures of the late 1970s, Fassin argues that the move described by Collier (2009) was 'not only a shift from a centralized conception of power to a fragmented vision of technologies, it is also a shift from life to *populations*' (p. 197, emphasis added).[22] Specifically, Fassin (2009) argues that Foucault's late analyses were concerned with 'the way in which impersonal "living beings" were turned into populations and individuals, how governmentality and subjectification shaped our modern vision of the world and of humanity' (p. 47). As I elaborate below, this understanding provides an important extension to the theoretical framework developed thus far since, after all, every impact bond is geared towards a 'target population' (Griffiths & Meinicke, 2014, pp. 7–9; Williams, 2019). What Fassin's work can add to the analysis of the issue of impact bonds is an understanding governing 'life' that goes beyond Foucault's initial analysis of biopolitics—that is, the exercise of strategies and forces to control life—and focuses more on how 'life' (or a specific 'population') gets *problematised*.

The Politics of Life

As the previous section made plain, by the late 1970s, Foucault treated 'biopolitics not as a logic of government but as a problem space in which diverse topologies of power may be observed' (Collier, 2009, p. 80). Fassin (2007, 2009, 2010a) argues that the shift away from biopolitics was not only one towards multiple forms of power but 'also a shift from life to populations' (Fassin, 2010a, p. 197); 'contrary to what is often believed, governmentality is not about life but only about populations' (Fassin, 2010a, p. 186). Rather than just controlling (biological) life through a stable and coherent exercise of strategies and forces, (social) life gets 'operated through discourses, programmes, decisions, actions' (Fassin, 2009, p. 48)—I would argue in the form of a 'problem space' (Collier, 2009, p. 93; Rabinow & Rose, 2003; Rabinow & Rose, 2006). This understanding goes beyond both the notion of Foucauldian biopolitics as formulated in *Society Must Be Defended* (cf. Foucault, 2003, pp.

[22] Note that the two others do not build upon nor cite each other's work. However, they both discuss the same period in Foucault's work and (what I take to be related) aspects of the government of populations.

245–246) and the politics of 'life itself' described by Rose (2001).[23] In his article *Another Politics of Life is Possible*, Fassin (2009) draws four conclusions about how governmentality and 'life' are connected. In what follows, I provide a summary of these four conclusions.

First, 'the matter of governing matters for governmentality' (Fassin, 2009, p. 48), that is, topologies of power are not just about the ways in which patterns of correlation are configured but also about the (social) issues at stake in a 'problem space'.[24] Second, contemporary societies are not so much characterised by a power 'over' life through an exercise of force at the level of populations, but more by 'the construction of the meaning and values of life' (Fassin, 2009, p. 52). On this view, social issues (e.g. homelessness in London or the gender gap in Indian education) are not automatically a question of biopolitics. Rather, what is at stake is a politics of ascribing specific value to human life (Fassin, 2010a). Third, in consequence, 'governing' always means to make a selection of 'existences it is possible or legitimate to save' (Fassin, 2007, p. 501). It is a matter of *choice* 'to make live' or to disallow life to the point of death (Foucault, 2008, p. 138). For Fassin, this implies an assessment of *inequality* and a study of 'biolegitimacy' (Fassin, 2010a, p. 197), in other words, the ways in which specific existences become targeted and calculated by interventions, while others are excluded (cf. Walters, 2012, p. 155; Rabinow & Rose, 2006).[25] Fourth, in conclusion, Fassin argues that the 'politics of life' does not so much regulate the lives of populations through 'the exercise of forces and strategies to control it' (Fassin, 2009, p. 52), but through discursive processes that single out certain existences (while ignoring others).

[23]Rose (2001) is interested in the way in which biology and bodies are reshaped based on novel concepts of science, genetics etc., ultimately driven by new biotechnologies (cf. Franklin, 2000; Waldby, 2000, 2002).

[24]A related point about biopolitics is made by Rabinow and Rose (2003).

[25]Fassin (2009) emphasises that the issue of 'inequality' is something that 'falls outside' (p. 54) Foucault's perspective. Yet, he argues that it is implicitly present as 'to make live' always also implies 'to reject into death'.

Overall, I would argue that the notion of a 'politics of life' is reconcilable with the notion of topological analysis developed by Collier who stresses that 'biopolitics should not be understood as a logic of power but as a problem-space' (Collier, 2009, p. 91). Linking Fassin's understanding back to the 'topologies of power' and subjectification processes, I propose to think of the politics of life as processes of (re-)problematisation, whereby a selection is made of 'existences it is possible or legitimate to save' (Fassin, 2007, p. 501). In relation to impact bonds, Fassin's work raises important questions as to 'what kind' of social issues are administered, by whom, and how interventions are being legitimised (see also Reid-Henry, 2014, p. 419)—and not so much about how service users 'regulate their own behaviors according to neoliberal theories of poverty alleviation' (Rosenman, 2019, p. 157). Put another way, the analytical focus is not on how people's activities and desires are governed at a distance, but on the principles under which the lives of populations are regulated as well as the 'inequalities and misrecognitions' (Fassin, 2009, p. 57) specific forms of government constitute. Through the notion of a 'politics of life', I can integrate such questions into the examination of impact bonds, and respective processes of financialisation.

3.3 Governmentality Analysis Through Case Studies

Having elucidated the Foucauldian concepts that inform my research, I now explain the 'method'. I develop three case studies to cover a wide and diverse range of perspectives, while still working on the notion individuals construct of impact bonds in different contexts (cf. Patton, 2014). I investigate three impact bond case study projects: Ways to Wellness, the London Homelessness SIB, and the Educate Girls DIB. These cases are intriguing in that they were all pioneering projects, one in the realm of health, one in the realm of homelessness, and one in the realm of international development (i.e. education in rural India). Early impact bonds projects are cornerstones for facilitating bipartisan dialogues between policymakers and investors, especially since ‘the SIB concept was so new and required such drastically different procurement and contracting that government officials were hesitant to get involved’ (Kasper & Marcoux, 2015, p. 62). So, looking at these early days of impact bonds may help make visible the sub-institutional power-relationships within and through which practices and knowledges are called forth, reproduced, and arguably also altered (cf. Collier, 2009, 2011). In what follows, I provide a brief overview of the three programmes analysed.

The first case study project is the so-called ‘London Homelessness SIB’ which was the second SIB ever developed and the first one to address homelessness. Operational from 2012 to 2015, the SIB sought to support over eight-hundred long-term homeless persons in London, many of whom were suffering from complex issues around drug and alcohol use and mental or physical illness, and ‘whose needs were not being met by existing services’ (Mason et al., 2017b, p. 1). Consisiting of two different sub-programmes, the SIB provided individuals with a dedicated key-worker to advocate for them and help them off the streets of London.

The second case study looks at Ways to Wellness, which is the first impact bond in the health sector, caring for patients with long-term conditions (LTCs) such as chronic obstructive pulmonary disease (COPD), heart disease or epilepsy. This SIB was initiated in July 2015 with a project duration of seven years. Although it is not yet completed at the time of writing, it still provides an interesting empirical case with regard to the research questions posed. The programme uses so-called social prescribing, geared towards supporting 11,000 patients through non-medical approaches outside the GP surgery to improve beneficiaries’ self-care and wellbeing through sustained lifestyle changes (Ronicle & Stanworth, 2015). This is done through the work of dedicated ‘link workers’ that are assigned to each patient.

Table 3.1: Overview of Case Study Projects.

	London Homelessness SIB	**Ways to Wellness**	**Educate Girls DIB**
Geography	London, United Kingdom	Newcastle upon Tyne, United Kingdom	Bhilwara district of Rajasthan, India
Project Purpose	Support rough sleepers by helping them find long-term accommodation, gain qualifications, and possibly move into employment.	Help people with long-term health conditions achieve sustained lifestyle changes, improved self-care, and well-being.	Enroll girls currently excluded from government primary school education and improve literacy and numeracy.
Service Users	831 long-term homeless persons	11,000 people with long term health conditions such as lung disease, diabetes, and asthma.	9,000 girls not currently enrolled in government primary schools, and a further 9,000 children in grades three to five.
Max. Value	£4.8m	£8.90m	£0.79m
Investments	£1.69m	£1.65m	£0.22m
Outcome Funder	Department for Communities and Local Government (DCLG)	Newcastle Gateshead CCG	Children's Investment Fund Foundation (CIFF)
Investors	Big Issue Invest, Social Enterprise Investment Fund (Department of Health), CAF Venturesome, Orp Foundation, two individual investors	Bridges Fund Management	UBS Optimus Foundation
Timeframe	November 2012 – November 2015	April 2015 – April 2022	June 2014 – July 2018

To showcase and unpack how the impact bond mechanism wanders and travels from a social policy context into international development, the third case study investigates the world's first-ever DIB in education, which is called 'Educate Girls'. This programme was geared towards increasing the school enrolment of girls in Rajasthan, India, as well as improving the educational outcomes of both girls and boys in Hindi, English, and basic numeracy. The intervention trained a team of volunteers to conduct door-to-door visits to talk to families and encourage school enrolment of

girls. Moreover, the scheme delivered a child-centric curriculum three times per week to boys and girls in grades three to five. The programme was launched in 2015, with a three-year operation period and targeted 18,000 children.
Analyses of governmentalities are often only based on archival methods (cf. Foucault, 2000, p. 233), that is, not on interviews and other fieldwork methods; the move to fieldwork is contested (Rose, 1999, p. 19). As Dean (2015) points out, 'Foucault is not seeking to access the complexity of everyday life but the conditions under which we form a knowledge of and seek to govern such domains as everyday life' (p. 359). On this view, Foucault's analytical concern is not with how things really are 'on the ground', but with how 'how our "finely grained pictures" of reality are produced and the diverse realm of effects they have within certain practices' (Dean, 2015, p. 359). More 'traditional' studies of governmentality therefore continue to work exclusively with archival methods (as Foucault did himself). An exclusive focus on documentary evidence, however, has also been accused of not always being able to provide the empirical data to substantiate the arguments made (Brady, 2016; J. Clarke, 2019; Mckee, 2009; Rutherford, 2007).

Collier (2011) endorses fieldwork (as does Fassin, 2012), raising a couple of conceptual points to address the tension between the effects of constructed images/discourses of the real and 'the real'. He argues that the trick is to not give 'fieldwork (. . .) any epistemic privilege' (p. 5) over other types of knowledge as it always 'gets close to practices, to experience, to the quotidian, the anecdotal, the local, the circumstantial' (p. 13). But if we understand thinking as 'a situated practice through which existing governmental forms are reflected upon, reworked and deployed' (Collier, 2011, p. 19), fieldwork and an attention to everyday spaces seems to be helpful in fleshing out how subjects think about and alter problematisations that their society and culture presents to them (cf. Lippert, 2005; May, 2014b; Mitchell, 2017a, p. 114).

I used three different methods of data collection: document analysis, semi-structured interviews, and participant observation. Rather than treating information gathered through interviews and participant observation as 'the real', I use a threefold rationale in respect of data collection. First, fieldwork can provide access to discourses and problems that the researcher might ignore otherwise due to a lack of available information (Collier, 2013; Lippert, 2005; Walters, 1997). Second, fieldwork allowed me to also capture the active subjects that acts as 'discursive practitioners' (Brassett, 2016; Wetherell & Edley, 1999) as well as 'the convictions and doubts of the actors, their blind spots and their lucidity, their prejudices and their reflexivity' (Fassin, 2012, p. 13). Third, as Tracy (2010, p. 843) elucidates, triangulation of methods allows for contextualising and cross-checking qualitative findings. Possible contradictions and different views (e.g. between different functionaries or between what is written and what is said) can thus be identified and included in the interpretation and considerations (Flick, 2010; Flick, Garms-Homolová, Herrmann, Kuck, & Röhnsch, 2012).

The study employed three different methods of data collection. The first one consisted in the analysis of textual and visual representations of the case study impact bonds. I looked at various academic, policy and industry-based reports. Commissioning bodies and investors have published various reports on the case study projects (e.g. DCLG, 2015; NHS England, 2016; UBS Optimus Foundation, 2018a). As payments in an impact bond are triggered by projects' achievement of social outcomes, the programmes typically contract external organisations to evaluate the impact bond-financed interventions and produce independent interim and final evaluation reports, to avoid conflicts of interest. These reports proved to be valuable and very detailed sources of information on the case study projects (e.g. Kitzmüller, McManus, Shah, & Sturla, 2018; Mason et al., 2017b; Ronicle & Stanworth, 2015; UBS Optimus Foundation, 2018b). Moreover, as I will make plain in the next chapter, impact bonds are gaining traction among leading business schools, think tanks, international organisations, charitable foundations, and policy research institutions. Such bodies produce a bevy of reports on impact bonds.[26]

The transition from the emerging 'advisory economy (. . .) around SIBs' (Williams, 2018, p. 2) to 'academic studies' is fluid; as industry-oriented research institutions not only assesses impact bonds but also provide advice to commissioning bodies on how to set up and operate such schemes (e.g. Carter et al., 2018; Government Outcomes Lab, 2017; J. Liebman & Sellman, 2013).[27] At the same time, there are a number of think tanks, advisories and charities that are dismissive of the impact bond model and allowed me to integrate critical practitioner perspectives (e.g. A. Brown, 2019; Starr, 2018). Moreover, as I made plain in Chapter 2, there is also a burgeoning critical academic literature on impact bonds in IPE and beyond, some of which discusses (or touches upon) my case study projects (e.g. Berndt & Wirth, 2018; Cooper et al., 2016; Kish & Leroy, 2015). Moreover, I analysed newspaper and magazine articles (e.g. Picton, 2018; *The Economist*, 2018), YouTube films about the case study projects (e.g. Big Society Capital, 2015; Educate Girls, 2016) as well as recordings of conferences or management seminar (e.g. Blavatnik School of Government, 2018; SECO – Economic Cooperation and Development, 2018a), and even actual impact bond contracts. In addition to the material that is specific to the case studies, I also analysed other industry-oriented reports and articles to contrast the case study projects with other projects, and complement my analysis with more general studies.[28] These sources are all forms of documented information that can serve as a basis to explain human thought, feeling, and action (Glynos & Howarth, 2007; Mayring, 2000).

[26] For instance, such reports were published by the *Brookings Institution* (Boggild-Jones, Gustafsson-Wright, Sharma, & Ravi, 2019; Gustafsson-Wright et al., 2015), the *World Bank* (World Bank Group, 2017), the *Government Outcomes Lab* at the Blavatnik School of Government at Oxford University (Government Outcomes Lab, 2018c; Stanworth, 2017) and the *Policy Innovation Research Unit (PIRU)* (Tan et al., 2015).

[27] I will return to this aspect in Chapter 4.

[28] These sources include, but are not limited to Ecorys (2018); Floyd (2017); Knoll (2018); Neyland (2018); Saltman (2017); Tan, Fraser, McHugh, and Warner (2019); Williams (2019).

The second method of data collection consisted of semi-structured interviews with actors involved in both the contracting and operation of impact bonds. Thirty-two interviews were conducted, using a semi-structured interview guide as this offers a good compromise between focused and narrative conversation design (cf. Longhurst, 2010; Meuser & Nagel, 2009). The advantage of this method is that practitioners can provide insights to the researcher that the latter had ignored due to a lack of available information, especially in an under-researched field such as impact bonds (Schmidt, 2004). Due to previous employment and networks, I already had some contacts in the impact bond industry, and used this network to gain access to the case study institutions and projects. Thus, I managed to conduct 27 interviews with individuals involved with the case study projects such as commissioners, employees of service provider organisations, investors, and service users. Five additional interviews were conducted in order to contrast the case study projects with other, external perspectives.[29]

Building upon Bryman (2001) and Crang and Cook (2007), the third method followed an ethnographic approach. Whenever I was present at the sites and offices of the projects, I recorded subjective and momentary perceptions of infrastructure, locality, and 'moods' in an observational protocol to make social practices visible 'from the "inside", in the contexts of their everyday, lived experiences' (Cook, 2013, p. 167). The advantage of this method is that it avoids the artificial responses typical of interview conditions (Abolafia, 1998; Hammersley & Atkinson, 2007). I also employed participant observation in the context of industry-based and academic conferences on impact bonds. Increasingly, scholars regard conferences as 'a space where actors make claims, contest over, and/or come to consensus concerning the field's identity through presentations and face-to-face interactions' (Barman, 2015, p. 17; Garud, 2008). During talks and panels, but also after conference breaks and dinners, I took extensive field notes as this is conducive to unpacking how

[29] A full list of the interviews can be found in Appendix 7.

populations come to endorse new ideas (cf. Leivestad & Nyqvist, 2017). Moreover, I also attended numerous virtual conferences and webinars on the case study projects and recorded my observations in protocols.

Qualitative content analysis is a suitable method for systematically and efficiently filtering out, structuring and comparing statements from the material that can provide answers to my research question—even from large amounts of data. On the one hand, the process of content analysis aims to reduce the empirical material and produce a concentrated image of the material. On the other hand, it aims to structure the empirical material. My empirical material—documents, interview transcripts, and observational protocols—was subject to an interpretative process, in which I derived categories in an inductive process of integration and interaction of theory and empirical data. This process started from the theoretical considerations elucidated above and, based on the empirical data, established a fully-fledged operational list. Second, the structural features of both the material and the arguments contained were analysed. Third, after establishing the macro-features of the fragments, I 'zoomed in' and collected cultural references, rhetorical and linguistic mechanisms as well as specific discursive statements to indicate the values and knowledge claims made about the impact bond projects in question. Fourth, all of the results were tied together in order to explain how the performance of a financial mechanism is connected to the provision of individualised social services for poor and underserved populations (cf. research question one) and to map out relevant contradictions and gaps (cf. research question two).[30] After that, I placed the findings in a broader context to discuss the political consequences of the forms of government adopted through impact bonds (cf. research question three).

[30] I elucidate the different research questions in the introduction of the thesis.

3.4 Concluding Remarks

If we accept that a clean division between markets and non-market spheres is of limited analytical utility: how do impact bonds infiltrate the self-understandings and, in turn, the behaviour of subjects? What are their consequences? In this chapter, I framed my research by Foucault-inspired analyses of governmentality and made the case for an 'experimental investigation' (Bröckling et al., 2010, p. 15) of specific cases of impact bonds trough fieldwork. As I have elucidated, governmentality is a form of analysis that can imply the adoption of different Foucauldian 'raw materials' and different methods of data collection.

For my analysis, I build upon topologies of power (Collier, 2009), subjectification (Heller, 1996), and the 'politics of life' (Fassin, 2007). This allows me to make visible in empirically situated terms how different rationalities (philanthropic, financial, ethical, managerial etc.) are configured into a programmatic form that gives specific meaning and value to underserved and poor populations. Against this backdrop, impact bonds' configuration of different rationalities and technologies is not to be understood as a 'reasonable consensus between actors coming from different spheres' (Schinckus, 2017, p. 6). Rather, the focus is upon the sub-institutional power-relationships within and through which impact bonds are made up, and the actors who 'fold' the social into the market.

In terms of such a research agenda, as Neal (2009a) succinctly puts it, the point is 'not to begin with ideology and explore what instruments it uses, but to begin with the mechanisms and practices and explore how they get formed into ideologies and knowledges' (p. 168; cf. Aitken, 2010a, pp. 227–228). To my mind, this implies not giving too much agency to the concept of impact bonds, but to try to understand the actors, practices and techniques that make it possible for impact bonds to take hold and get reproduced. Building upon Collier (2011) and Fassin (2012), I thus proposed to study the emergence and effects of impact bonds in relation to these specific case studies that I have introduced in this chapter.

In the next chapter, I will focus on the development of the three impact bond case study projects, the specific actors and their work in relation to the formation of the programmes. But before I turn to the these specific cases, I will first explain in detail what an impact bond is (supposed to be) and the roles of the different social actors engaged in the impact bond industry. In this context, I will also briefly discuss the events and practices that led to the formation of the first impact bond in the UK in 2010 and also how the impact bond model has been annexed by more global discourse around ‘growing the impact bond market’, and ‘impact investing’ more broadly.

4. Setting the Scene: Context and Emergence of Case Study Projects

In the last chapter, I established the theoretical framework of this thesis, drawing upon Foucault-inspired literature on governmentalities, which build upon 'Foucault's working hypothesis on the reciprocal constitution of power techniques and forms of knowledge' (Lemke, 2001, p. 191) and focus on the relationship between political rationalities and practices of governing populations. I employ a case study approach and develop three different case studies throughout the thesis in response to my research questions. In this chapter, I set the scene by discussing the history of the impact bond concept.

In this context, I elucidate how in the UK—which later saw the implementation of the first impact bond—there had already been policy-driven efforts to generate financial returns from social investments since 2000, notably driven by the Social Investment Task Force (SITF) and the Council on Social Action (CoSA). In the wake of the formation of the world's first SIB at Peterborough prison in 2010, proponents began producing a plethora of conferences, industry-based reports, webinars, YouTube videos, and more. So, even before a second impact bond had been created, there was an intense period of constructing certain notions and paradigms around it through the production of conferences, presentation, reports, and such.

Most of the early implementation-oriented impact bond ‘cookbooks’ essentially emulated the structure of the Peterborough pilot and provided justificatory logics as well as guidance for implementing such a scheme. In this chapter, I discuss these representations and the policy arguments associated with them. However, I also illustrate the considerable degree of ambiguity as to what an impact bond is (supposed to be) and the consequently high variability of schemes ‘on the ground’.

Those early days had also already seen the formation of what was later dubbed the ‘social finance infrastructure’ (Schwartz, Jones, & Nicholls, 2015, p. 488) the ‘SIB ecosystem’ (Kasper & Marcoux, 2015, p. 62), or the ‘SIB economy’ (Williams, 2018, p. 2). This economy consists of newly established social finance intermediary organisations that facilitate the creation of impact bonds by bringing actors together and advising on how projects should be structured. Organisations such as Social Finance, Instiglio, or Numbers for Good are allegedly ‘often the “glue” that holds investors, government officials, nonprofit service providers, and evaluators together’ (Kasper & Marcoux, 2015, p. 63; Schwartz et al., 2015). Their employees typically have a background in finance (e.g. accounting, private equity), have then ‘emigrated to the “social sector”’ (Williams, 2018, p. 2), and are of course knowledgeable about equity and venture capital investment.

Further elements of the impact bond economy are subsidies made available for the development and implementation of impact bonds[31], external evaluators that determine the attainment of social outcomes (which is pivotal for the disbursement of payments), and lawyers who know how to draft impact bond contracts as well as institutions that conduct research into and promote impact bonds, such as the Kennedy School’s *Social Impact Bond Technical Assistance Lab* (SIB Lab). In this chapter, I also make a brief digression to discuss the discourse around social impact

[31] Beyond direct subsidies, this support mainly consists of development grants to conceptualise and create the impact bonds and outcome ‘top-ups’ to render investments profitable.

investing—or 'impact investing' for short—which also emerged around 2007–2008. This discourse aims to achieve the dual objective of producing a social impact while earning financial returns on capital, and impact bonds are commonly portrayed as a subset of impact investing vehicles; according to some commentators, '[a]rguably the best known form' (R. Davies, 2014, p. 3; Jackson, 2013a). The Rockefeller Foundation is said to have been the 'organizing instrument' (Jackson, 2013b, p. 97) of the emerging field, as it organised a convention in 2007 that coined the term 'impact investing' (Höchstädter & Scheck, 2015) and launched a global, five-year global grant-making programme, which amounted to $38 million, to build the market (Lane, 2014). The Rockefeller Foundation was also the only non-UK institution to invest in the Peterborough project in 2010 (Arrillaga-Andreessen & Murray, 2017).

Having elucidated this trajectory and background of impact bonds, I come back to the argument made in chapter 2 that research must go beyond the impact bond economy to learn why non-financial actors ultimately *accept* (and reproduce) the proposition formulated and the calculative practices entailed. We cannot assume that the projects implemented on the ground are simply materialisations of a stable source paradigm. Rather, the particular modes of reasoning and types of labour involved in conceptualising and implementing such schemes needs to be made visible in historically and empirically situated terms. Therefore, this chapter segues into the study of three specific case studies—Ways to Wellness, the London Homelessness SIB, and the Educate Girls DIB.

To show how the institutional and international aspect (i.e. 'higher activities') are connected to micro-interventions at the local level (i.e. the 'everyday'), the chapter proceeds in four principal steps. The first section traces the historical emergence of impact bonds by portraying the actors, elements, and events that led to the design and implementation of the first SIB at Peterborough prison. The second section outlines what an impact bond is 'supposed to be' according to the discourse fragments studied.

I show how the features and logics of the models that are disseminated through industry based reports vary considerably. The third section discusses the emergence of the impact bond ecosystem and the formation of an impact investing discourse with impact bonds as one of the core instruments from the start.

To unpack the peculiarities of the different impact bond projects, the fourth section then discusses the events and actors that led to the formation of the schemes. I illustrate how the actors involved reached out to prospective investors, social purpose organisations, and impact evaluators and the negotiations that ultimately led to contract conclusions. The concluding section recapitulates the different elements discussed and segues into the in-depth discussion of the distinct mode of reasoning I diagnosed in the context of the three case study projects—which is the subject of the subsequent chapter.

4.1 Social 'Equity'? Mobilising Private Equity to Finance Social Projects

Today, various areas of welfare are delivered as outsourced services via tendering processes and contracts with third parties. Particularly striking in this context is the situation in the UK.[32] In the new quasi-market model, tendering processes were introduced into welfare provisions, aimed to be more effective and efficient. Some areas of welfare are consequentially delivered as outsourced goods and services via contracts with third parties, often third sector organisations (Rees, 2014).

The concept of the third sector had already been disseminated in the US (Levitt, 1973) and in official European Economic Community and European Community

[32] Both the New Labour (1997–2010) and the Coalition (2010–2015) government significantly altered the balance between grant funding and contract/commissioned funding for the social sector. From a ratio of 1:1 (£4.6bn vs. £4.8bn respectively) in 2000–2001 it changed to 2:1 (£8.7bn vs. £4.4bn) in 2006–2007 to over 5:1 (£11.1bn vs. £2.2bn) in 2012–2013 (Hogg, Kendall, & Breeze, 2015).

documents of the 1980s (Kendall & Anheier, 1999). The term ‘third sector’ emerged as a hypernym for a diverse array of organisations that deliver societal benefits and are neither statutory nor profit making, such as charities, community groups, NGOs, or voluntary associations (Haugh & Kitson, 2007; Rifkin, 2000).[33] While still being funded by the state, third-sector organisations (many of them voluntary organisations) are increasingly forced to enter into competitive markets to obtain funding. In the UK, there have been various initiatives to fund such services through investments from the private sector. Since 1997, the UK government had taken various steps to support and enact social finance initiatives through the support of community development finance institutions (1999–2002), social enterprise investment (2002–2010), and eventually social innovation (2010–2015).[34]

As far as the emergence of impact bonds is concerned, there are two platforms I would like to highlight. The first one is the SITF, active from 2000 until 2010, which foregrounded the importance of equity and venture capital investments in the UK social sector. The second is the CoSA, active from 2007 until 2008, where the impact bond mechanism was first mooted to pre-finance preventative social programmes. I hereafter describe both platforms.

Mobilising Private Equity to Fund Prevention

Senior leaders from the voluntary and finance sectors were invited by the Chancellor of the Exchequer, Gordon Brown, to establish the SITF in 2000. The SITF was a partnership between the UK Social Investment Forum, the New Economics Foundation and the Development Trusts Association, aiming ‘[t]o set out how entrepreneurial practices can be applied to obtain higher social and financial returns from social

[33] Commissioning/outsourcing has been of central importance to the emergence of SIBs ‘as part of a new wave of welfare reforms that have been largely driven by the deficit crises’ (Nicholls & Tomkinson, 2015, p. 341).

[34] A detailed exegesis of those initiatives is provided by Spear, Paton, and Nicholls (2015), Kendall (2009), and Golka (2019) and would go beyond the scope of the thesis and this chapter (cf. Affleck & Mellor, 2006; Nicholls & Teasdale, 2017).

investment' (SITF, 2000, p. 3). It was chaired by Sir Ronald Cohen, who 'is often referred to as the "father of European private equity"' (Credit Suisse and the Schwab Foundation for Social Entrepreneurship, 2012, p. 42) and who played a central role in the creation and dissemination of impact bonds ten years later. Former consultant at McKinsey and co-founder of Apax Partners—one of the first UK venture capital firms—Cohen had a longer history of promoting social investment. An economist article describes his efforts as follows (*The Economist*, 2005, p. 58):

> Having arrived in Britain as a refugee, he believes that those who succeed in the capitalist system have a duty to give back to those at the bottom, and, indeed, that capitalism may not survive if they don't—a philanthropic creed common in America, but still rare in Britain. He has given over £500,000 ($900,000) of his estimated £70m fortune to Britain's Labour Party, skilfully managing to be close both to prime minister Tony Blair and his probable successor, Gordon Brown, the chancellor of the exchequer.

As Golka (2019) notes, Cohen's involvement was pathbreaking: '[w]hile previously, the financialization as welfare frame was dominated by discourse on lending as well as community lenders, now the policy discourse increasingly shifted to equity financial products' (p. 145). The SITF recommended various reforms to unlock entrepreneurial approaches to addressing social challenges. The group initially sought to lobby the New Labour government to promote investments into communities through the Community Investment Tax Relief Act, but its focus shifted over time from direct funds towards so-called 'social enterprises'—private-sector entities that'apply business models and thinking to achieving social and environmental aims' (Nicholls, 2010, p. 82). Golka (2019) notes that funds focused on 'capacity building' for social enterprises to bid for larger service delivery contracts, but also 'aimed specifically at increasing social ventures' "investment readiness"' (p. 93). Moreover, in 2008, legislation emerged to found a social investment wholesale institution, capitalised by funds from dormant bank accounts, to grow the social investment market (which would later become Big Society Capital) (Nicholls & Teasdale, 2017, p. 14).

The group's recommendation were taken up by the UK government. The decade before 2010 saw the establishment of various organisations that would later play a central role in the promotion and implementation of impact bonds. Cohen also played an important role in establishing those entities. He co-founded *Bridges Ventures* in 2002 with £20m of private capital as well as a matching contribution from the government, and he also acted as its chairman. It was the first fund focused on community investment , arranging investments in small businesses in 'under-invested areas'; in 2014 the fund was renamed Bridges Fund Management (*The Economist*, 2005, p. 58; Cohen, 2016a). Cohen also co-founded Social Finance Ltd in 2007, and acted as its director until 2012. Social Finance is a not-for-profit intermediary organisation that partners with the government, investors and social organisations , 'with the aim of developing a social investment market in the UK' (Cohen, 2016b, para. 2; cf. UK National Advisory Board to the Social Impact Investment Taskforce, 2014).[35] Moreover, the decade before 2010 saw the establishment of organisations such as *Charities Aid Foundation (CAF) Venturesome*, one of the first UK social investment funds, and *Big Issue Invest*, a social merchant bank, which would also play a role in the emergence of impact bonds in the UK.

The second programme that played a key role in the emergence of impact bonds was the CoSA, founded by Gordon Brown in 2007 after he had become prime minister. The CoSA was an independent advisory group with a two-year mandate, geared towards generating initiatives to catalyse social action. Two CoSA members also

[35] Ronald Cohen invested £1.5 million to found and establish Social Finance.

sat on Social Finance UK's board of directors.[36] The CoSA reportedly approached Social Finance UK in 2008, 'interested in whether preventative activity could be funded from savings made in acute spending as a result of successful preventative work' (Bolton & Savell, 2010, p. 2). Social Finance, in turn, built upon a concept developed by Arthur Wood, a former investment banker and the social investment specialist at the social entrepreneur network *Ashoka* who had developed the idea of the 'contingent revenue bond' for financing sanitation projects in developing countries (Kasper & Marcoux, 2015, p. 59; Nicholls & Tomkinson, 2015, pp.342–343). In this model, funders are split into two groups: (i) private for-profit investors providing the capital financing for work on the ground, and (ii) charitable foundations that would pay for the results when measured. This model, however, had never been put in practice.

The Young Foundation—an NGO and non-profit think tank from London—then introduced the term 'social impact bond' for the first time in a short paper in 2008, also building from Wood's idea. This articulation did not yet encompass private investment for social benefit, but was applied to a broader range of financial vehicles that align incentives between different government departments (Bolton & Savell, 2010; Nicholls & Tomkinson, 2015). Building from Wood's proposal, Social Finance worked with Geoff Mulgan, Chief Executive of the Young Foundation, and other actors such as a derivatives lawyer, Graham Allen (MP for Nottingham at the time), and the CoSA to develop the impact bond model (Bolton & Savell, 2010, p. 2).

The proposition made by the group, however, was not only inspired by Wood's model. Prior to the CoSA's work, the UK government had already started to explore commissioning based on outcomes, also known as 'payment-by-results' (PbR). Such contracts allow government agencies to outsource the provision of a service to

[36]It consisted of 15 members, including representatives from *Community Links* (an east London charity), the Joseph Rowntree and Young Foundations, organisations promoting social and criminal justice solutions and volunteering, various social investment and communications advisers, management consultants from Accenture, lawyers Allen and Overy, Royal Mail, and a fair-trade chocolate company (Whitfield, 2015).

private-sector contenders—and only pay once a defined set of outcomes is delivered. Initial experiments with PbR were already run from 2003–2004 in the the National Health Service (NHS) Clinical Commissioning processes and, at a later point in time, in the new 'Work Programme' by the Department for Work and Pensions (DWP). In this scheme, the government pays a prime contractor (or consortium) on a staggered basis, reflecting achieved outcomes. The contractor sub-contracts and incentivises a range of providers to then deliver the services accordingly (Boyle, 2007; Carter & Whitworth, 2015). However, a concern regarding the PbR scheme was that (especially small) providers might be unable to bear the upfront costs of service provision—a problem that was addressed with the development of impact bond model (Disley, Rubin, Scraggs, Burrowes, & Culley, 2011; Griffiths & Meinicke, 2014; Leventhal, 2012).

As the project proceeded, Social Finance UK explored various areas of social need where the costs were high and where there was a possibility to make a 'significant difference' with a preventive intervention—to then compensate investors who pre-financed it through the savings made. Criminal justice appeared to be an obvious choice, as 60% of the 40,200 adults on short-term sentences in the United Kingdom re-offend within a year after their release (Nicholls & Tomkinson, 2015, p. 342). By late 2008, Social Finance started to work closely with the Ministry of Justice (MoJ) and Her Majesty's Treasury (HM Treasury) to build an SIB pilot project.[37] As part of this process, Social Finance UK also engaged with a wide range of groups such as prison staff, local stakeholders, potential investors (such as foundations and trusts), voluntary organisations working in the field, and other criminal justice

[37] Many of the analysed discourse fragments (Clifford & Jung, 2016; Cooper et al., 2016; Lunes, Frissen, Vermeer, & Revenboer, 2013; Ogman, 2016; Whitfield, 2015) claim that the SIB model originated with the New Zealand economist Ronnie Horesh (1988, 2000) who introduced the so-called 'social policy bonds' in 1988. In this model, the government auctions a non-interest bearing bond on the financial markets, promising to redeem it at a fixed price whenever a specified social objective is achieved. This bond would be freely tradable after issue. Obviously, this concept is structurally different and apparently, neither the Young Foundation nor Social Finance UK, who coined the term twenty years later, drew upon Horesh's concept. Yet, Horesh (2016) himself claims that they were derived from his social policy bond idea.

experts (Nicholls & Tomkinson, 2015). In 2009, the UK parliament reinforced the establishment of the SIB pilot. On the one hand, the Justice Committee advocated the development of a pilot SIB within the criminal justice system (Justice Committee, 2009); on the other hand, the New Labour government stated in a white paper that it would 'pilot Social Impact Bonds as a new way of funding the third sector to provide services' (HM Government, 2009, p. 32). In March 2010, two months prior to the May general election, Jack Straw, Justice Secretary at the time, announced the Peterborough SIB. Gordon Brown describes the project in an article as follows (G. Brown, 2017): '[d]uring the last Labour government, I worked with one of Britain's greatest entrepreneurs and philanthropists, Sir Ronald Cohen, to create what became the world's first Social Impact Bond' (para. 3). However, the SIB initiative was also one of the last government decisions Brown signed off on.

Three months after Jack Straw's announcement—during the general election—the Conservative party included impact bonds within their manifesto platform *Big Society, Not Big Government*, seeking to contrast with New Labour's *Third Way* or, as David Cameron expressed it, '[o]ur alternative to big government is the big society' (Cameron, 2009, para. 96). Rather than supporting the social sector with new public money, the aim was to channel financial investments into social enterprises. This call was later seconded by the Coalition (2010–2015) government, which committed to completing and extending the previous government's key social-investment policies, including the impact bond programme, the Social Enterprise Investment Fund at the Department of Health, and the Social Investment Wholesale Bank, which was renamed to 'Big Society Capital' (Cabinet Office, 2012; Nicholls & Teasdale, 2017).

In the wake of the 2008 financial crisis, legislation, electoral constituencies and organised interests increasingly rendered certain budgetary positions (e.g. pension expenditure) more inert than 'soft' ones such as new job creation programmes (Breunig & Busemeyer, 2012; Mertens, 2017). The impact bond seemed to be strategic response to the post-crisis budgetary limits set to the expansion of social investment as part of the welfare state (cf. Mertens, 2017) which resonated with different political players (Hills, 2011; Leggett, 2014). As one of my interviewees, who has evaluated various impact bonds, emphasised, ‘it’s a good example of policy mobility’.[38]

4.2 A Much-Heralded but Unstable Paradigm

The Peterborough Case

September 2010 saw the launch of the Peterborough SIB. It was arranged for the UK Ministry of Justice by Social Finance UK, designed to reduce reoffending by short-sentenced prisoners released from HMP Peterborough, a prison with a history of recidivism (Shiller, 2013, p. 23). The services were delivered by multiple nonprofits, including the YMCA, St. Giles Trust, and Ormiston Trust, under the guidance of the ‘One Service’ nonprofit organisation. Social Finance UK had managed to raise £5m from 17 social investors, mostly foundations and charitable trusts, among them the Rockefeller Foundation. Toby Eccles—development director at Social Finance UK—positioned the launch of the Peterborough project as follows (cited in Nicholls & Tomkinson, 2015, p. 344):

> I’m confident that this first bond will be a success, offering excellent returns on investment. That will give other investors the confidence to invest in future bonds. SIBs could finance activities like enhanced support for foster carers, home care services for older people and nursing in the home for the chronically sick.

The SIB provided services to three populations (cohorts), each of 1,000 short-sentenced prisoners, both inside the Peterborough prison and after their release

[38] Author’s personal interview with Nick Henry (Professor of Economic Geography and SIB Evaluator), 27 September 2017.

to resettle into the community. The recidivism measure used was the number of certain re-conviction events incurred within 18 months of release (for crimes: within one year of release) versus a comparable control group. The SIB had to reduce re-offending by at least 10% for each cohort or by 7.5% overall for the investors to receive a minimum repayment of 2.5 % (along with the principal sum) from the MoJ and the Big Lottery Fund. The greater the drop in reoffending beyond this threshold, the more the investors would receive, with a return capped at 13% internal rate of return (Nicholls & Tomkinson, 2015; Schinckus, 2015).

An external evaluation of the first cohort found a reduction in re-offending by 8.39%–which means that no payments were triggered for the first cohort (Albertson & Fox, 2018, p. 46). The results for the second cohort amounted to a reduction of 9.7%, again too low to trigger a payment. The SIB was originally intended to operate until 2017 but was curtailed after the two cohorts, because the MoJ privatised the probation service through the Transforming Rehabilitation programme, which led to the 'disappearance' of both the third cohort and the control group (Deering & Feilzer, 2015; Ministry of Justice, 2015; Nicholls & Tomkinson, 2015). However, since the reduction across the two cohorts was 9% (i.e. above 7.5%), investors could eventually recoup the principal sum invested plus a return of just over 3% per annum for the period of investment (Albertson & Fox, 2018, p. 46).

According to some commentators, the impact bond's early termination proves its success (since it was 'mainstreamed' even before it ended). Yet for others, it meant that the programme's effects were just unknown due to the early completion (Eccles, 2018). 'Transforming Rehabilitation' the successor programme shared very few features with the Peterborough SIB (Government Outcomes Lab, 2019c). Irrespective of its degree of success, the pilot projects crated a 'fait accompli' and according to Rockefeller's Judith Rodin led the mechanism to rapidly garner 'support as an innovative approach to financing valuable social programs' (Hughes & Scherer, 2014, p. 4). In a similar vein, albeit with a different argument, Ogman (2018, p. 167) notes:

> The Peterborough SIB's early phase out did not signal a change of policy trajectory away from SIBs, but rather its geographical shift and entry into other policy areas, including health, employment, homelessness, education and other areas.

In the wake of the Peterborough SIB, the actors of the impact bond ecosystem started to produce a plethora of conferences, industry-based reports, webinars, and YouTube videos. So, even before a second impact bond had seen the light of the day, there was an intense period of constructing certain notions and paradigms of the impact bond. The early, implementation-oriented impact bond 'cookbooks' essentially emulated the structure of the Peterborough pilot and provided guidance for implementing such schemes. In what follows, I discuss what a SIB or DIB is (supposed to be) according to these 'cookbooks' and the reasons they provide to create one. Moreover, I take some steps towards showing the intermediary organisations, government subsidies and research institutions that emerged in the wake of the Peterborough SIB to attract investment and grow the impact bond market.

What Is an Impact Bond?

In an impact bond, a public institution, a social service provider organisation, and private investors enter into a contract about the provision of individualised support for a vulnerable and marginalised target group.[39] Private investors supply the upfront capital to pay for the project (in part or in full), and also periodically consult with the other stakeholders about the status of the project as well as possible measures for improvement. A central characteristic of impact bonds is the idea of 'outcome-based payment'—also referred to as PbR mechanism—according to which payments for the provision of social programmes are conditional upon the achieved social outcomes.

Traditionally, social service delivery was traditionally paid on the costs incurred or the number of people served, for example. The basis for the judgement of success in that sense is the measurement (and reporting) of changes in the lives of service users—changes in their wellbeing, knowledge, behaviour, and circumstances (Callanan, Law, & Mendonca, 2012, p. 12). The financial risk that thus emerges (i.e. if payments do not materialise due to a lack of positive outcomes) is placed on investors, shifted away from both public institutions and service provider organisations. In return, investors are offered the possibility of earning a financial return if the intervention succeeds at achieving specified social outcomes. However, if an intervention fails to demonstrate success, the investors will have to bear the costs; that is, they will lose some or all of the principal sum and make no (or little) profit (cf. Griffiths & Meinicke, 2014, p. 6). Thus, such contracts do technically not qualify as 'bonds' because the return on the capital invested is not guaranteed. If they were actual bonds, investors would be guaranteed a return on their initial investment back at the end of the defined period, with a fixed interest rate. Instead, the impact bond should be seen as 'a hybrid

[39] For instance, such support can be geared towards ex- offenders, homeless persons, chronically ill people, marginalised indigenous people, or youths deemed at risk from early deprivation, poverty, and abuse (Dear et al., 2016, pp. 80–88.).

instrument with some characteristics of a bond (e.g. an upper limit on returns) but also characteristics of equity with a return related to performance' (Bolton, 2010, p. 1).

Figure 4.1 depicts the model that can be found in various early implementation-oriented impact bond 'cookbooks' (Apolitical, 2019), and which essentially emulates the Peterborough SIB model.[40]

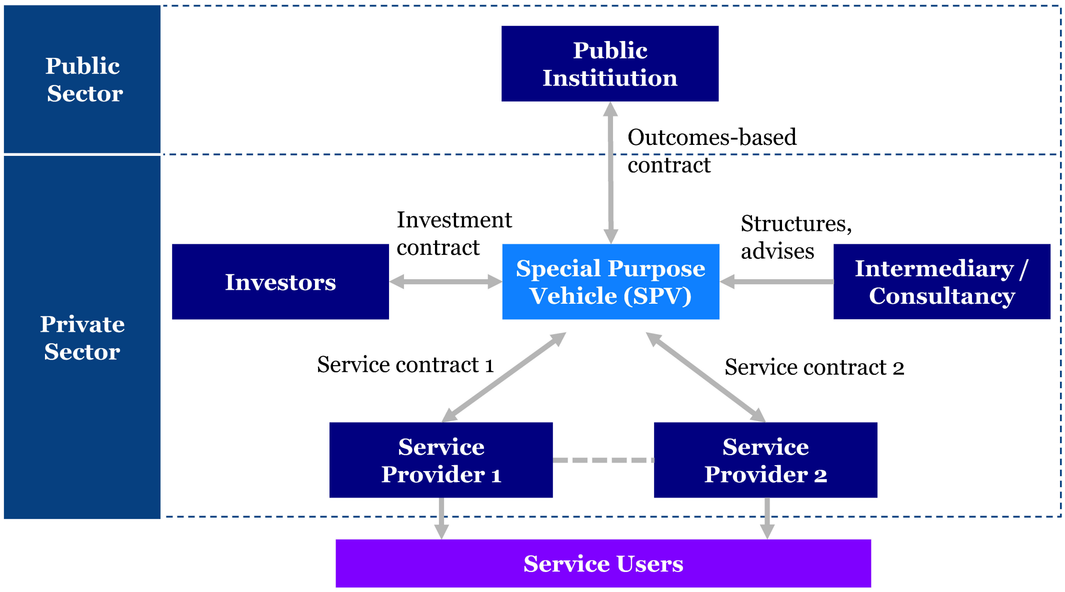

Figure 4.1: Schematic Representation of the Impact Bond Contract Structure (Author's own diagram).

The model shown in figure 4.1 always includes a dedicated special purpose vehicle (SPV)—a subsidiary company with an independent legal status and asset/liability structure—to arrange the contracts and channel the monetary investments. The outcomes-based contract is then concluded between a public commissioning body (i.e. a local authority or a CCG) and the SPV. Voluntary, community and independent sector organisations are commissioned to deliver the programme for a specific target group of service users, backed by private investments. While some mainstream actors like Goldman Sachs explored impact bonds, investors are for the most part charitable foundations and social trusts that experiment with the model to 'recycle' capital

[40]For instance, this is the kind of model shown in Barclay and Symons (2013, p. 3), Tan et al. (2015, p. 30), Ronicle, Stanworth, Hickman, and Fox (2014, p. ii) or Mason et al. (2017b, p. 5); see also Nicholls and Tomkinson (2015, pp. 339-340).

that they can then reinvest in other social initiatives (Tan, Fraser, & Mays, 2018). Beyond this schematic representation of contract structures, the mechanism also often includes one further party: an independent evaluator organisation. To avoid conflicts of interest, external companies are contracted to determine the attainment of social outcomes, which is pivotal for the disbursement of payments. Both the choice of evaluator and evaluation methodology are critical design features of every SIB. Evaluators charge fees for their audit services and are paid directly by the outcomes funders independent of the results, as this helps ensure an unbiased assessment.

As Williams (2019) emphasises, 'in the wake of Peterborough, and the search for simpler, cheaper, and more standardized models, a number of variations have emerged featuring different commissioning and contracting structures' (p. 10). As the web of stakeholders and contracts may overwhelm stakeholders, later reports often present a more stripped-down model which is shown in figure 4.2.[41]

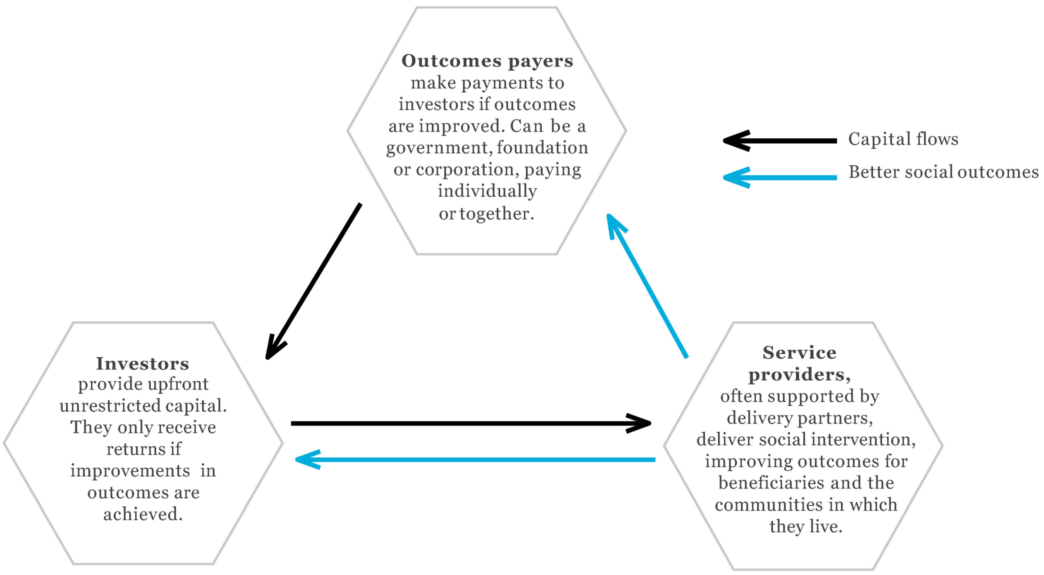

Figure 4.2: Simplified Impact Bond Contract Structure (Bridges Ventures, 2014, p. 5).

[41] Compare, for instance, Bridges Ventures and The Parthenon Group (2010); Department for Culture Media & Sport (2016) or Dear et al. (2016).

As Arena et al. (2016) have shown, there is a variety of contract and payment structures as well as intervention models. Although all these programmes have been built from a source paradigm—the first SIB at Peterborough prison (cf. 4.2)—impact bonds, not only the early ones, have given rise to very different project structures, actors, and modes of action (Arena et al., 2016, p. 8) and there is 'a lack of consensus around their essential ingredients' (Williams, 2019, p. 12; EVPA, 2015). Over time, the impact bond economy has become a rather 'broad church' and there is not only disagreements regarding their features but also regarding their definite advantages (Fraser et al., 2018; Gustafsson-Wright et al., 2015, pp. 47–51). The editors of a recent special issue in the *Journal of Economic Policy Reform* emphasise that impact bonds 'demonstrate a high degree of "strategic ambiguity" so that they can be framed in different ways for different audiences' (Tan et al., 2019; see also Eisenberg, 1984; Smith, 2017). Hereafter, I nevertheless summarise four advantages that are frequently mentioned.

First, the prioritisation of measurable outcomes (rather than prescribed processes) is said to allow third-sector providers the flexibility to work in non- prescribed, innovative ways that would otherwise not be eligible for direct public funding, which tends to be risk-averse (Hunter & McNeil, 2015, p. 23). Thus, SIBs are framed as a possibility to try out new (unorthodox) approaches where the risk is borne by private investors.

Second, it is claimed that such innovative approaches may lead to better results, especially because investors and intermediaries support and challenge service providers to deliver better outcomes for the people in need. Impact bonds are said to facilitate collaboration across different organisations, departments, and budgetary silos. Thus, they are said to allow for bridging the lack of incentives that state agencies often have to work together. The resulting *modus operandi* is typically defined in opposition to public sector bureaucracy because impact bond structures are said to be more result-oriented, 'bring in private sector rigor' (Gustafsson-Wright et al., 2015, p. 2) and increase the transparency in social service provision. These points echo the political impetus articulated in Section 4.1. As McHugh et al. (2013, p. 251) note:

> While the stated intentions of benefiting the third sector and continuing to provide essential social services may be genuine, they are expressed in the language of markets and private sector business. A programme of austerity and retrenchment lends legitimacy to the argument for more innovation, and the discourse of markets and business has been championed in these circumstances.[42]

Third, impact bonds are said to help actors understand how and to what extent interventions are effective and, therefore, which types of interventions public institutions should provide (and scale up). For that reason, impact bonds are also believed to improve accountability for the use of taxpayers' money. Beyond improving outcomes for people in need, impact bonds also re-image the non-profit sector as based on notions of 'evidence-based policy' and 'value for money'. This is especially important in the light of the debt crisis. As Leventhal (2012) puts it, SIBs 'allow governments to support prevention without the fear that they will pay the cost and not reap the reward' (p. 525).

Fourth, the mechanism is portrayed as a tool that can potentially produce 'cashable savings' for governments in the future both by coming up with cost-effective delivery models and by reducing overall welfare costs in the long run through prevention and early intervention. In the early papers published between 2008 and 2012, the focus on early intervention as a means to produce public savings in the future was very pronounced (cf. Bolton & Savell, 2010; Mulgan, Reeder, Aylott, & Bo'sher, 2011). This resonates with concepts outlined in the book *The Third Way: The Renewal of Social Democracy* by Anthony Giddens (2013) suggesting to replace

[42] See also Seelos and Mair (2012).

the social security (or ‘passive benefits’) systems inherited from the 1960s with a ‘social investment state’. According to this approach, social investments *today* will stimulate labour market participation in the long run, thus leading to more productive and socially included future taxpayers (Jenson, 2010). Investments in social equity will generate public and private dividends in the future—and hence reduce overall welfare costs. Figure 4.3 depicts the paradigmatic ‘value-for-money case’ (Barclay & Symons, 2013, p. 18), which can be found in numerous industry-based reports on SIBs. By way of illustration, a Princeton University report explicitly states that ‘[t]he biggest motivator for governments to implement SIBs is the potential for cost-savings’ (Barajas et al., 2014, p. 4).[43]

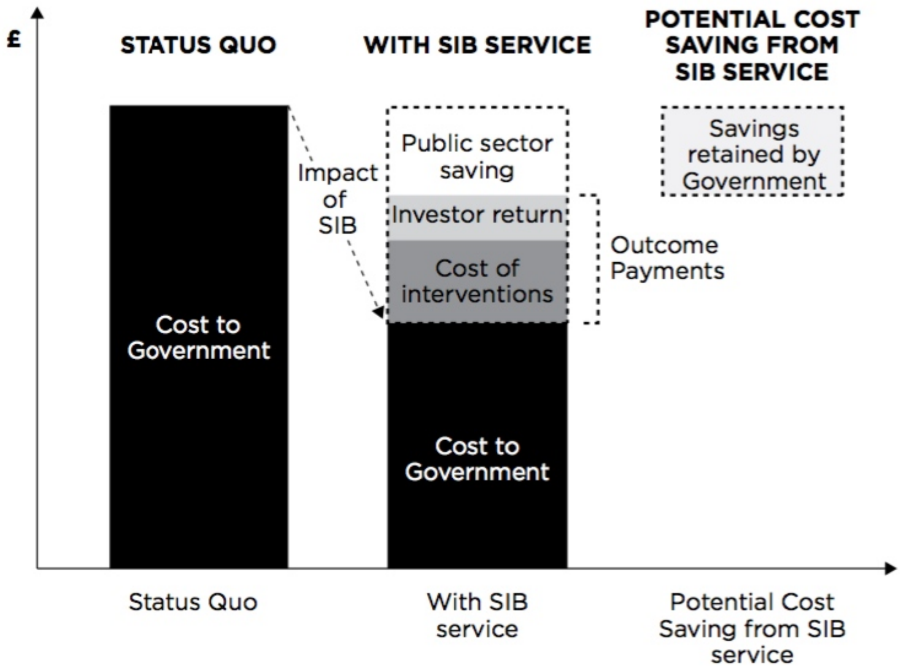

Figure 4.3: Summary of SIBs’ Value-for-Money Calculation
(Barclay & Symons, 2013, p. 18.)

Beyond the (rather broad) principles of early interventions, pay-for-success, and cashable savings, the actual definition of an impact bond is not fixed and the structures and ways in which projects are implemented ‘on the ground’ can vary considerably

[43] Or, as Lake (2015) notes, ‘[t]he announcement of H.R. 4885, the Social Impact Bond Act, introduced in Congress in June 2014, references “saving government money” and “saving taxpayer dollars” at least thirteen times in a one-page press release’ (p. 12).

(Arena et al., 2016; Gustafsson-Wright et al., 2015, p. 27; Williams, 2019). Having elucidated the different models that emerged in the wake of the first impact bond pilot, I now turn to the supporting infrastructure that was put in place to encourage and support local governments and investors to come together and implement follow-up projects to the Peterborough SIB.

The Infrastructure for the Dissemination of Impact Bonds

The early days saw the formation of what was later dubbed the 'social finance infrastructure' (Schwartz et al., 2015, p. 488) and the 'SIB ecosystem' (Kasper & Marcoux, 2015, p. 62). After the launch of the Peterborough SIB, there first was a two-year period with no new impact bond-funded programmes (Gustafsson-Wright et al., 2015, p. 13). During these two years, the UK government along with bodies like Social Finance, the Young Foundation, and the Rockefeller Foundation in the US tried to facilitate practice-targeted communication and policy research. Kasper and Marcoux (2015) have summarised these efforts in context of the Rockefeller Foundation's actions: '[i]nstead of growing an individual "plant," the foundation decided to invest in building a "greenhouse" that can help many plants thrive' (p. 61).

The UK government created the Centre for Social Impact Bonds within the Cabinet Office, which provides technical guidance on the development of impact bonds (Albertson & Fox, 2018, p. 59). The Cabinet Office also established and allocated more than £20 million of funding to the Social Outcomes Fund in 2012 which makes so-called 'top-up contributions', available to public sector commissioning bodies that implement impact bonds (Albertson & Fox, 2018, p. 58; Cabinet Office, 2014, p. 7; Roy, McHugh, & Sinclair, 2018). Moreover, grants from the Big Lottery Fund funded Commissioning Better Outcomes, a £40 million fund with the mission of supporting more SIB development in England that also 'provided direct operational funding and development grants for advisory firms such as Social Finance' (Williams, 2018, p. 6;

Ronicle, Fox, & Stanworth, 2016).[44] Other initiatives include the Youth Engagement Fund (£16 million), DWP Innovation Fund (£30 million), and the Fair Chances Fund (£15 million) (Albertson & Fox, 2018, p. 58; Edmiston & Nicholls, 2018, p. 62).

A further key aspect in the UK context is the launch of Big Society Capital in 2012. The government used £600 million from dormant bank and building society accounts in the UK—along with further contributions from high street banks—to found a social investment wholesale institution with a particular emphasis on impact bonds (Manville & Greatbanks, 2016; Teasdale, Alcock, & Smith, 2012). Thus, beyond direct subsidies, support consisted of development grants to conceptualise and create the impact bonds and outcome 'top-ups' to render investments profitable (Floyd, 2017, p. 21). In short, many public funds were put into the balance to encourage both commissioners and private investors to embark on this 'adventure'.

Such efforts to grow, or rather create, the impact bond market were not confined to the UK. In the US, the Rockefeller Foundation and other actors made a series of investments 'to build an ecosystem of innovation that could help a wide range of SIB experiments to spread more broadly' (Kasper & Marcoux, 2015, p. 61). It supported the establishment of the *Kennedy School's Social Impact Bond Technical Assistance Lab* (SIB Lab), geared towards assisting governments interested in SIBs. The SIB Lab sought to boost demand among governments by running a national competition for SIB projects, promising free technical assistance to the winners; 10 out of 28 projects were thus served (Kasper & Marcoux, 2015).[45]

President Obama also set up the Social Innovation Fund in 2010 within the Corporation for National and Community Service, a federal agency. It initially made

[44]In 2016, it also facilitated the creation of the Life Chances Fund, an £80 million top-up fund, which pays up to 20% of outcome payments in impact bonds (Albertson & Fox, 2018, p. 58).

[45]Financial support for this competition and the resulting mandates was provided by the Rockefeller Foundation and the Dunham Fund (an Illinois-based foundation).

grants of $1 million to $10 million to 'ecosystem builders' (Gustafsson-Wright et al., 2015, p. 140), and shifted its focus in 2016 to develop specific impact bond projects (Lester, 2015; Floyd, 2017).

While critical analyses often jump at the handful of transactions where commercial investors such as Goldman Sachs were involved (e.g. Dowling, 2017; Lake, 2015; Ogman, 2018), 'most up-front SIB finance does not come from business investors' (Tan et al., 2018, para. 11). Rather than an involvement of conventional financial actors, impact bond investors are mostly charitable foundations and social trusts that have started to invest part of a foundation endowment or philanthropic assets to produce social impact *and* financial returns. As such, impact bonds are said to be a case of 'philanthrocapitalism' (Bishop & Green, 2015). A 2006 article first coined this term (*The Economist*, 2006), and it was followed by the book *Philanthrocapitalism: How the Rich Can Save the World and why We Should Let Them* by Bishop and Green (2008).

There is an ongoing debate about the exact definition of philanthrocapitalism and its goals (McGoey, 2014; McGoey, 2016), but it typically revolves around bringing rational methods of business to the operation of philanthropy—for example, using key performance indicators and portfolio strategies to manage risks across various initiatives or offering advice, coaching, and capacity-building services to investees (Anheier & Leat, 2006; Guilhot, 2007).[46] Impact bonds expand this understanding of foregrounding 'hard-nosed' strategy, such as performance metrics, by foregrounding 'techniques and concepts of investment banking and capital markets (. . .) to solving some of the most pressing social challenges' (M. Martin, 2014, p. 607).

[46]The idea of 'venture philanthropy' is not new at all, it dates back to the late 1960s when John D. Rockefeller III and Andrew Carnegie came up with a concept 'to apply the rational methods of business to the administration of charitable deeds, which they considered to be outdated and deficient' (Guilhot, 2007, p. 451). In the 1990s, it was re-discovered by Letts, Ryan, and Grossman (1997) and Porter and Kramer (1999) (McGoey, 2014).

In 2013, Bridges Ventures (which was later renamed Bridges Fund Management Ltd.) set up the 'Social Impact Bond fund'—the first one of its kind with Big Society Capital as a cornerstone investor, committing £10m, alongside, *inter alia*, Deutsche Bank, Great Manchester Pension Fund, Omidyar Network, or Merseyside Pension Fund. The overall fund size amounted to £22.5m (Big Society Capital, 2016; Bridges Ventures, 2016). Thus, a diverse array of actors is observed, including mainstream finance (Goldman Sachs, Deutsche Bank), social investment funds, trusts and foundations, and high-net-worth individuals—a broad spectrum of investors (cf. Williams, 2019, p. 167).

Social Finance and other newly established 'social finance intermediary organisations' play an important role in this setup, as they facilitate the creation of impact bonds by bringing actors together and advising on how projects should be structured. Organisations such as Social Finance, Instiglio or Numbers for Good are allegedly 'often the "glue" that holds investors, government officials, nonprofit service providers, and evaluators together' (Kasper & Marcoux, 2015, p. 63; Schwartz et al., 2015). Their employees typically have a background in finance (e.g. accounting, private equity etc.), have 'emigrated to the "social sector"' (Williams, 2018, p. 2), and are of course knowledgeable about equity and venture capital investment. After Ronald Cohen had established Social Finance UK in 2007, he subsequently also co-founded and acted as a Director of Social Finance US in 2011 as well as Social Finance Israel in 2013.

Another type of 'impact bond specialists' are the organisations that provide specialised evaluation services and expertise, so-called 'external evaluators'. They determine the attainment of social outcomes (which is pivotal for the disbursement of payments). This group includes organisations such as RAND Europe[47], Ecorys (an economic

[47] Knafo, Dutta, Lane, and Wyn-Jones (cf. 2019) on the pivotal role of the RAND Corporation in the formation of managerial governance.

research and consulting company founded in 1929), or the PIRU (Government Outcomes Lab, 2019a).

As I have already outlined, these were all involved in producing a plethora of conferences, industry-based reports, webinars, and YouTube videos etc. (e.g. Barclay & Symons, 2013; Bridges Ventures, 2014; Bridges Ventures and The Parthenon Group, 2010; Department for Culture Media & Sport, 2016; EVPA, 2015; J. B. Liebman, 2011; McKinsey & Company, 2012). Even before a second impact bond had seen the light of the day, there was an intense period of constructing certain notions and paradigms of the impact bond through the production of conferences, presentation, and reports.

Especially the early implementation-oriented impact bond 'cookbooks' essentially emulated the structure of the Peterborough pilot and provided guidance for implementing such a scheme. In 2012, Social Finance UK and the Center for Global Development (a U.S. nonprofit think tank based in Washington, D.C.) convened the so-called *Development Impact Bond Working Group* to make the impact bond model specific to low- and middle-income countries (Center for Global Development & Social Finance, 2013b, p. 3). The group included members from Citigroup, US Agency for International Development (USAID), World Bank, the Rockefeller Foundation, and the Bill & Melinda Gates Foundation, to name a few (Alenda-Demoutiez, 2019). It published a consultation draft in June 2013 (Center for Global Development & Social Finance, 2013a), followed by a final report in October 2013 (Center for Global Development & Social Finance, 2013b). In its proposed model, aid agencies and/or philanthropic foundations act as outcome payers instead of of local authorities and similar commissioning bodies. The final report of the group contains six cases (or rather feasibility studies) for potential DIBs, for instance geared towards reducing instances of Rhodesian sleeping sickness in Uganda, preventing HIV and tuberculosis in Swaziland through anti-retroviral treatment or energy efficiency in the household, commercial and industrial sectors in developing countries (Center for Global Development & Social Finance, 2013b, pp. 38–71).

The report not only proposes a funding mechanism and respective impact metrics, but also lists potential outcome funders—for example, the UK's Department for International Development (DFID)—and outlines a 'multilateral option' in which different official donors and private foundations would make resources available (in the form of a multi-donor DIBs outcomes fund) to pay for the results of successful DIBs (Center for Global Development & Social Finance, 2013b, pp. 6; 9). Moreover, the report outlines 'investor propositions'; in other words, the overall proposal to investors, including the total capital required, the target return and the modes of how and when the principal and return will be paid out (Center for Global Development & Social Finance, 2013b, p. 112). No DIB had been launched at the time, and the implementation of the novel funding mechanism in a development context was 'just a gleam in the eye of a few creative thinkers' as Rosenberg (2013, para. 7) put it.

By highlighting these different developments, I seek to emphasise the considerable effort that governments, foundations, and financial actors made to create an impact bond market: quasi-governmental subsidies for outcome payments, technical assistance, conferences, and networking events, for example. Before I expand on how this impact-bond infrastructure played out in relation to the three specific case studies the thesis investigates (Section 4.4), I first take some steps towards explaining 'impact investing'. This term emerged in 2007, i.e. around the time the CoSA and Social Finance developed the social impact bond model, and can be seen as an important meta-discourse that surrounds the emergence of impact bonds.

4.3 The 'Invisible Heart' of Markets?

Development impact bonds and SIBs are commonly portrayed as a nascent part of the wider set of ideas and practices that make up 'social impact investing'—or impact investing for short—an umbrella term that was coined around 2007–2008 (Gustafsson-Wright et al., 2015, p. 4; Jackson, 2013a). During the same period, Social Finance UK and the Young Foundation developed the SIB model for the CoSA (cf. Section 4.1). In this section, I illuminate how the impact investing discourse emerged and annexed the impact bonds model.

Impact investing means investments that predominantly come in the form of debt or private equity (Höchstädter & Scheck, 2015, p. 461) and aim to achieve the dual objective of deliberately producing positive social and/or environmental outcomes while earning financial returns on capital (Spiess-Knafl & Scheck, 2017). This goal is generally referred to as 'blended value' (Bugg-Levine & Emerson, 2011, p. 5), or 'shared value' (Porter & Kramer, 2011, p. 66), and is said to be the central characteristic of impact investing. According to Höchstädter and Scheck (2015, p. 451), who analysed a large number of academic and practitioner literature to contribute to a better understanding of the concept, the terms 'social finance' and 'social investment' also comprise grants, whereas 'impact investing' is specifically geared towards creating monetary returns (while creating positive social outcomes).[48]

The Rockefeller Foundation—whose role in the promotion of impact bonds I described in the previous section—is often said to have been the 'organizing instrument' (Jackson, 2013b, p. 97) of the emerging field.[49] In 2007, they organised a meeting at its Bellagio Center in Italy with the aim of exploring 'with leaders in

[48] According to Hebb (2013), impact investing goes by many names, including 'double and triple bottom line, mission-related investing, program-related investment, blended-value, economically targeted investing and social finance' (p. 71).

[49] The charitable foundation is one of the largest ones in the world with an endowment of more than $4 billion and a history of efforts that go beyond just allocating funds.

finance, philanthropy and development the need for, and ways and means of, building a worldwide industry for investing for social and environmental impact' (Harji & Jackson, 2012, p. 1). According to the official founding myth, this convening coined the term 'impact investing' and marked the birth of a new asset class (Burand, 2015; Höchstädter & Scheck, 2015). Since then, impact investing has been said to be an emerging industry, a novel financial market that groups together various forms of investments into social enterprises, impact bonds and microfinance (Harji & Jackson, 2012; Nicholls, 2011, p. 121).

However, as Bank (2012) notes, '[i]t was not quite a present-at-the-creation moment' (para. 2), as the concept of using financial investments to generate social outcomes was not new at all (cf. Buttle, 2007; Höchstädter & Scheck, 2015, p. 450). Numerous organisations, mainly charitable foundations in the USA, had already been investing in for-profit vehicles to facilitate social purposes before 2007 (Saltuk, Bouri, Mudaliar, & Pease, 2013a). The same goes for practices of microfinance (Hummels & Leede, 2014, p. 100), community development finance in the US (Benjamin, Rubin, & Zielenbach, 2004), development finance institutions such as World Bank's International Finance Corporation or the Commonwealth Development Corporation in the UK (O'Donohoe, Leijonhufvud, Saltuk, Bugg-Levine, & Brandenburg, 2010), or practices such as SRI (cf. Section 2.1).

Overall, I would argue, what was really new about impact investing in 2007 was the *framing*: 'disparate and uncoordinated innovation in a range of sectors and regions' (Freireich & Fulton, 2009, p. 11) were given a new meaning by assembling them into 'a new global industry' (Freireich & Fulton, 2009, p. 11). Commentators additionally evoked the sense that a 'new breed' (Bugg-Levine & Emerson, 2011, p. 92) of investors had emerged.[50] These investors have been said to seek blended value

[50] In this context it has repeatedly been suggested that Millennials, i.e. people born between 1978 and 2000, are especially 'keen on impact investing' (P. Maurer, 2012, para. 1; cf. Fort & Loman, 2016).

creation and thus capital allocate capital in 'businesses and funds that can provide developmental solutions to social and environmental problems at a scale beyond either conventional SRI or traditional philanthropic interventions' (Nicholls, 2010, p. 81; cf. Karamchandani, Kubzansky, & Frandano, 2009; Salamon, 2014, p. 81).[51]

The practice of impact investing is often said to offer a possible 'return to the "social" or solidary commitments of finance' (B. Maurer, 2012, p. 418);); in other words, finance for 'the people', for the many, not the few, emphasised in recent book titles such as *Investing with Impact: Why Finance Is a Force for Good* (Balkin, 2015), *The Power of Impact Investing: Putting Markets to Work for Profit and Global Good* (Rodin & Brandenburg, 2014), or *Real Impact: The New Economics of Social Change* (Simon, 2017). Impact investing is presented as a movement that challenges an economistic, contractual worldview where social and environmental problems only arise as a consequence of the negative external effects of private transactions. On this view, they internalise the normative critique of unfettered global capitalism by re-describing investment in people-centred terms.

An important new element in the framing of impact investing was a sense of urgency. Proponents of the nascent field have repeatedly argued that harnessing impact investments from capital markets will become key in responding to the perils of the 'expenditure gap' in both the public sector and philanthropy (M. Martin, 2013, p. 5; cf. Salamon, 2014, p. 80). Saltuk (2011) even named her report for J.P.Morgan *Counter(Imp)acting Austerity*. Judith Rodin, former president of the Rockefeller Foundation pointed out that there is an inherent necessity to 'grow the market' (cited in Kozlowski, 2012, para. 4–5):

[51] It is often argued that impact investing helps create a positive social outcome whereas practices such as SRI merely minimise negative impact (or only focus on social outcomes to maximise long-term shareholder value) whereas impact investing practices (including impact bonds) help intentionally create positive social outcomes (Barman, 2015, p. 16; O'Donohoe et al., 2010, p. 5; Nicholls, 2010, p. 71). However, as Höchstädter and Scheck (2015) emphasis, '[o]n a general level, the impact investing and SRI definitions do not differ dramatically' (p. 455).

> We recognized, if you put a price tag on all the social and environmental needs around the world, it is in the trillions. All of the philanthropy in the world is only $490 billion. So, the needs far exceed the resources. (. . .) The one place where there is hundreds of trillions of dollars is in the private capital markets. So we, and others, began to wonder are there ways to crowd in private funding to some of these incredible needs.

Thus, the movement from the start was about moving 'from niche to mainstream' (Bridges Ventures and The Parthenon Group, 2010, p. 2) and 'catalyzing an emerging industry' (Freireich & Fulton, 2009). To implement the industry-building plans of the 2007 Bellagio meeting, the Rockefeller Foundation's board of trustees approved $38 million towards a five-year global grant-making programme in the following year (Lane, 2014). The aims of that initiative were to build 'a worldwide industry for investing for social and environmental impact' (Harji & Jackson, 2012, p. ix). The programme invested in 30 core allies and launched much of the 'ecosystem' that now defines the industry (Bank, 2012; Kasper & Marcoux, 2015).

An important characteristic of the emerging field is its impetus on measuring and reporting social impact (almost like a currency). The focus on measurement helps attract traditional investors, 'who are accustomed to evaluating investments using numerical outputs' (McWade, 2012, p. 108). Impact measurement and reporting play a crucial role in providing evidence that the projected impact is actually being achieved. Therefore, they are said to be the *sine qua* non in attracting capital from investors, and '[f]unds that do not meet investors' expectations for demonstrating impact will be sidelined' (C. Clark et al., 2013, p. 34; cf. Saltuk, Bouri, Mudaliar, & Pease, 2013b, p. 20; World Economic Forum, 2013, pp. 27–30). The new need to provide evidence for achieving blended value requires metrics that go beyond financial value creation (Bank, 2012). In the further course of the thesis, I will show how impact measurement is absolutely crucial to impact bonds.[52]

4.4 Formation of Three Pioneering Impact Bonds

This section studies the emergence of three specific cases of early impact bonds and showcases the actors involved, highlighting the modes of reasoning and types of labour involved in redrawing the border between the investible and non-investible. It also discusses the everyday politics of these processes. The three case study projects—the London Homelessness SIB, Ways to Wellness, and the Educate Girls DIB—are very intriguing in that they were all pioneering projects, one in the realm of health, one in the realm of homelessness, and one in the realm of international development (i.e. education in rural India).

The London Homelessness SIB

After the launch of the Peterborough SIB the idea of using the SIB-mechanism as 'a potential way of trialing innovation in, and bringing new finance to, provision for rough sleepers' (Mason et al., 2017b, p. 16) emerged within the Department for Communities and Local Government (DCLG) in 2011.

Homelessness had become a policy focus in London, especially in the run-up to the 2012 Summer Olympics when Boris Johnson, mayor of London at the time, emphasised in 2009 'I am determined that rough sleeping should be a thing of the past, which is why I have committed to ending it' (cited in Hill, 2012, para. 1). This

[52] Sector-wide and centralised systems are being built to standardise the frameworks through which organisations can report social and environmental impact and so that the 'transaction costs' for investors can be reduced (Jackson, 2013b, p. 610). Examples of such frameworks include the Social Return on Investment (SROI), which focuses on an economics cost benefit calculation, the Impact Reporting and Investment Standards (IRIS) that provide a common set of terms and definitions for the field, the Global Impact Investing Rating System (GIIRS), an analogue of the Morningstar or Standard and Poor's rating systems, and the B Impact Assessment (BIA) (Jackson, 2013b, pp. 98; Nicholls, Nicholls, & Paton, 2015). For the topic of impact bonds, these systems are less relevant as impact bonds only account for small proportion of the capital allocated.

statement was in line with the New Labour government's homelessness strategy 'No One Left Out' in which Prime Minister Gordon Brown included the goal to end unsheltered sleeping 'once and for all' (DCLG, 2008, p. 4). As I discussed in Section 4.2, both the New Labour (1997–2010) and the Coalition (2010–2015) government also sought to push impact bonds as a strategic response to the budgetary limits set to the expansion of social investment as part of the welfare state. As Nick Henry, one of the evaluators of the London Homeless SIB, pointed out, 'there was so much policy push that they thought they may as well try it out'.[53] Impressed by the launch of the Peterborough project, the DCLG assigned Tim Gray, who had a background in dealing with homelessness, housing associations, and the voluntary sector, to explore the development potential of a homelessness impact bond in London. He remembered:[54]

> A lot of people thought it was quite exciting, this idea of "you only pay for the result if something is successful". But actually translating that into a different area is what we'd thought was not so easy.

On DCLG's behalf, he started to contact exponents of community and voluntary organisations. Based on statistical data, it was found that a sixth of the homeless persons in London accounted for almost half of all recorded unsheltered sleeping occasions. Despite a range of already existing welfare services, the outcomes for these individuals had remained poor over the years: many of them suffered from complex issues around drug and alcohol use as well as mental and physical illness. So, the idea arose to improve outcomes for this group with a dedicated SIB project (Mason, Lloyd, Andrews, & Henry, 2014, p. 8–9).

The DCLG held informal consultations with different stakeholders from the voluntary sector, the Greater London Authority (GLA), and London boroughs to discuss SIBs, and they started to agree with different stakeholder groups to develop the interventions

[53] Author's personal interview with Nick Henry (Professor of Economic Geography and SIB Evaluator), 27 September 2017.

[54] Author's personal interview with Tim Gray (former advisor to the DCLG on homelessness), 14 September 2017.

and the metrics they wanted to use.[55] Once the DCLG had—in principle—agreed with the different stakeholder groups on the design of the intervention design, it commissioned Social Finance and the Young Foundation to conduct a feasibility study for a homelessness SIB.[56] Building from conversations 'with a range of stakeholders in homelessness and rough sleeping' (DCLG, 2014, p. 2), as well as other models such as *Housing First* (cf. Homeless Link, 2016), the feasibility study proposed to improve outcomes for 'inbetweeners' with a dedicated SIB project (Mason et al., 2014, pp. 8–9). The model stipulated that homeless individuals were to be provided with a trusted keyworker—a 'navigator'.[57] As there were many existing homeless services in London (operated by over 150 different providers), the goal was not to duplicate existing services, but for navigators to slowly build up trusting relationships with the homeless, fill in service gaps where necessary, and offer both support and encouragement to support individuals (Mason et al., 2017b, p. 38–77). The actions were geared towards achieving specific outcome targets such as a reducing unsheltered sleeping, supporting individuals into stable accommodation, and endorsing individuals to progress towards better health and employment.[58]

Although the business case that resulted from the feasibility was ' unable to identify a robust evidence base linking interventions with realistic expectations of outcome

[55] I provide a detailed appraisal of the metrics in Chapter 5.

[56] Social Finance and the Young Foundation played a central role in the development of both the default SIB and the Peterborough SIB model (in collaboration with the CoSA, the MoJ, and HM Treasury.

[57] There had been a range of fairly successful services for rough sleepers at the time such as *Rough Sleeping 205*, an initiative that sought to help the capital's most entrenched rough sleepers, or *No Second Night Out* which aimed to ensure that new rough sleepers receive an immediate intervention (Mason et al., 2017b, p. 3).

[58] I provide a detailed explanation of the intervention and metrics in the next section.

improvements' (Social Finance, 2012, p. 15; cf. Cooper et al., 2016, p. 70), the DCLG approved the business case.[59] As Tim Gray specified:[60]

> And they liked the idea of trying it out, they thought as finance people, "well, actually this could be a way forward in terms of getting value for money for us in the future, we ought to be trying this sort of stuff, to be innovative", and so on. Even though it was difficult to be precise about the extent of any possible cashable savings, it was saying "look, if we are going to spend this extra money on homelessness—does this look like an efficient way to get some outcomes for it?"

The DCLG allocated five million pounds to fund the outcomes, including setup and administration costs. As Gray specified, the sum was not taken out of the homelessness budget: 'it was unallocated money at the time, it wasn't taken out of the homelessness budget, it was sort of unspent money, unallocated money at the time, so it was additional money for homelessness'.[61]

While the DCLG acted as the ultimate outcome funder, the management and commissioning of the project was designated to the GLA (Mason et al., 2017b, p. 13).[62] A 'competitive dialogue' (Mason et al., 2017b, p. 20) process was launched, hosted by the GLA. Following an initial tender submission, five shortlisted bidder organisations were invited to present and further refine their proposals. Shortly after the first dialogue meeting, a so-called 'market information day' (DCLG, 2014, p. viii) was held, where provider organisations were given the opportunity to meet with

[59] Mason et al. (2014) point out, '[t]he analysis identified the costs incurred by the cohort across five years to total £24m and the potential for substantial savings to be made through improved outcomes' (p. 8). But no reasonable estimate could be made as to how much money could be saved through the SIB-funded intervention.

[60] Author's personal interview with Tim Gray (former advisor to the DCLG on homelessness), 14 September 2017.

[61] Author's personal interview with Tim Gray (former advisor to the DCLG on homelessness), 14 September 2017.

[62] The GLA is also known as City Hall, which is the devolved regional governance body of London, with jurisdiction over both counties of the City of London and Greater London.

potential investors. At a later stage, Social Finance also assisted the GLA in engaging with prospective investors and hosted a 'speed dating' event, where short-listed service providers were introduced to potential investors and intermediaries (Mair, 2012). The (final) invitation to tender was then issued to the shortlisted providers, with five weeks for them to prepare the final submission, building from those different meetings. Four organisations submitted a tender, and the contracts for two different sub-projects were awarded to the homelessness charities: St Mungo's and Thames Reach.

St Mungo's, a charity that dates back to 1969, operated the Street Impact project in the north and west sectors of London. The charity had worked with Triodos Bank (a bank geared towards ethical practices), which acted as an intermediary. For a fixed fee, Triodos facilitated the establishment of an SPV,[63] and the contract was then concluded between the SPV and the GLA. The investors consisted in CAF Venturesome (one of the first social investment funds in the UK), the Orp Foundation, and two individual investors.

The second project in the south and east sectors of London was called 'Thames Reach Ace', operated by the homeless charity Thames Reach, which has existed for over 25 years. The contract was directly held between the GLA and Thames Reach. In absence of an intermediary, Thames Reach had to negotiate across multiple investors. Two parties eventually provided unsecured loans: Big Issue Invest (a social merchant bank) and the Social Enterprise Investment Fund (a fund by the Department of Health). Moreover, the service provider obtained a grant from the Monument Trust (one of the Sainsbury Family Charitable Trusts). Thames Reach itself also provided equity financing.

[63] The SPV is a subsidiary company with an independent legal status and asset/liability structure (cf. Section 4.2).

The DCLG also contracted the consulting company ICF (then ICF GHK) in July 2013 to provide a qualitative process evaluation of the London Homelessness SIB (Mason et al., 2017b, p. 1).[64] In addition, the DCLG published their own impact evaluation in 2017 (DCLG, 2017, p. 34).

Ways to Wellness: Social Prescribing in the Northeast of England

After the launch of the Peterborough SIB, representatives of Social Finance UK also came to speak to a group of chief executives of voluntary organisations in February 2011, among them the Voluntary Organisations' Network North East (VONNE) in February 2011 (Tan et al., 2015, p. 46). Social Finance explained the SIB model as well its possibilities and limitations. Following these first meetings and the discussions they sparked, VONNE obtained a small amount of funding from the Northern Rock Foundation to identify a suitable project in the Northeast of England.[65] The group hired three independent and locally connected consultants to explore the idea and engage in conversations and exchange with potential project stakeholders. Although Social Finance had 'brought' the idea to VONNE, they chose to work with other, locally based consultants. Funded by a small grant from the north East Social Investment Fund (NESIF), two independent consultants with a background in social investment engaged in conversations with different stakeholders such as the Durham Tees Valley Probation Trust or the NHS Newcastle Gateshead CCG (i.e. the body that organises the delivery of NHS services in the area). As an interviewee put it, 'when they were first looking, it wasn't necessarily going to be health, it could have been homelessness, it could have been children on the edge of care, (. . .) could have been addictions, could have been anything that they felt there was an unmet need in the Northeast'.[66] As Jo Curry, the then Chief Executive of VONNE explained,

[64] ICF produced an interim report in 2014 (DCLG, 2014) and one in 2015 (DCLG, 2015) as well as the final reports in 2017 (Mason, Lloyd, & Nash, 2017a; Mason et al., 2017b; Mason, Lloyd, & Nash, 2017c).

[65] Author's personal interview with Chris Drinkwater (Chair and Trustee Chair of Ways to Wellness), 20 September 2017.

[66] Author's personal interview with Tara Case (Chief Executive at Ways to Wellness), 1 August 2017.

> The Northeast of England is synonymous with being a bit backwards and a bit slow on the uptake with things and, you know, kind of like ten years behind London or something. (...) Traditionally, in terms of any kind social finance, we don't take it up as much as other regions and so when *Social Finance* came to town and were taking to us about it, I felt determined to be part of the zeitgeist. I really wanted us in the Northeast of England to do something that was cutting-edge—it felt ludicrously important to me. And so that is the most superficial reason you'll probably ever been given for anything happening but that's the truth.[67]

This is illustrative of how impact bonds are not simply a category that is imposed upon individuals in the current vantage of post-crisis, austerity politics, and a hegemonic culture of 'responsible capitalism'. The actors involved were fascinated by this new way of experimenting with innovative approaches to address social and health issues in collaboration with external actors. In the course of the exploration process, the consultants became aware of a set of earlier small-scale pilot studies in the area that sought to address the issue of patients with long-term conditions (LTCs) such as chronic obstructive pulmonary disease (COPD), heart disease or epilepsy. West Newcastle upon Tyne which 'has some of the most deprived wards in England' (NHS Clinical Commissioners, 2015, p. 1), was a particular outlier, even amongst areas of deprivation for particular LTCs, with very high rates of COPD.[68] The pilot studies had been run by the charity HealthWORKS Newcastle and the GP commissioning consortium, prior to becoming a clinical commissioning group (CCG) (i.e. the body that organises the delivery of NHS services in the area). These pilot studies had revolved around the so-called 'social prescribing' approach which seeks to 'address the well documented social and economic factors that accompany

[67] Author's personal interview with Jo Curry (Executive Director at Changing Lives), 21 September 2017.

[68] People with LTCs make up for 55% of GP appointments, which of course result in high health and social care costs (NHS England, 2016).

long-illness beyond the healthcare setting' (Moffatt, Steer, Lawson, Penn, & O'Brien, 2017, p. 2) through dedicated 'link workers'.

Similar to the navigator model of the London Homelessness SIB, this approach seeks to help patients better manage their LTCs by agreeing on and implementing an action plan that includes a range of different activities, such as getting involved in local groups and activities, getting more exercise, eating better, or drinking less alcohol etc. (cf. Mossabir, Morris, Kennedy, Blickem, & Rogers, 2015).[69] There was a group of commissioners, GPs and community providers in the northeast who—although there was no definitive evidence at the time—believed social prescribing would help tackle chronic health problems and thus also potentially help reduce hospital resource use and GP attendance (Steadman, Thomas, & Donnaloja, 2017, p. 38). In this space, the group of consultants hired by VONNE identified a 'sweet spot', where an outlier existed in terms of a pressing social issue, a suffering population, and a model to address it.

In the further course of the four-years development phase, a steering group was set up, involving VONNE representatives, the NHS Newcastle West CCG, the Cabinet Office, and organisations that worked with or represented the voluntary and community sectors.[70]. The group managed to obtain funding for the development of the scheme, under VONNE's lead.[71] The CCG and the NHS were involved early on, but the impetus to try out this novel kind of public-private partnership did not come from the commissioner. It was VONNE's steering group that developed the service specification (Ronicle & Stanworth, 2015, p. 10). It was very difficult for the

[69]Proponents of social prescribing in the area had also published a guide in 2011 for commissioners, primary health care teams, and health/wellbeing boards that proposes a model to address LTCs 'by engaging with local non-traditional providers (e.g. charities, community organisations and social enterprises) to meet their needs' (NHS, 2011, p. 5).

[70]These organisation were ACEVO, CapitaliSE, and Business Mind Social Purpose.

[71]They received a grant from the Department of Health's Social Enterprise Investment Fund (SEIF) of £150,000 in 2013 as well as further development funding from ACEVO (£15,000) and technical assistance funding from the Big Lottery Commissioning Better Outcomes Fund, which amounted to £150,000) (Ronicle & Stanworth, 2015, pp. 6; 10; Tan et al., 2015, p. 46).

group to get the CCG on board. Although there had been earlier pilot studies and thus a potential of the project to both improve patients' health and reduce healthcare costs, they were reluctant to support the project. Above all, 'the NHS cannot easily fund this kind of community-based social care, which comes under the remit of local authorities; while local authorities have little incentive to invest in preventative health services when the financial benefits accrue elsewhere' (Bridges Ventures, 2016, p. 4). Moreover, 'the CCG's systems and processes were not geared to such commissioning, leading to cultural differences and tensions' (Ronicle & Stanworth, 2015, p. 10). The steering group struggled to convince the CCG that the project was one worth pursuing. As the negotiations continued, the group managed to obtain so-called 'top-up' funds: £2m from Big Lottery Fund's 'Commissioning Better Outcomes Fund' and £1m from the Cabinet Office's 'Social Outcomes Fund'. These top-ups are a form of subsidies to de-risk the project for public sector commissioners and ensure 'that successful SIBs can provide investors with returns' (Floyd, 2017, p. 21).[72] They eventually accounted for about 30% of the contract volume of Ways to Wellness' contract volume and arguably helped persuade the CCG.

The steering group started discussions with a number of social investors in December 2013, ultimately leading to the engagement of Bridges Fund Management. Bridges provided Way to Wellness with a £1.65m investment to set up the project (Ronicle & Stanworth, 2015, p. 3), funded through their 'Social Impact Bond fund'.

[72] Author's personal interview with Chris Drinkwater (Chair and Trustee Chair of Ways to Wellness), 20 September 2017.

Table 4.1: Ways to Wellness Participants (following Drinkwater, 2016; Greater Manchester Public Health Network, 2016; Ronicle & Stanworth, 2015; Steadman et al., 2017).

Organisation	Role	Desciption
Ways to Wellness	Special purpose vehicle (SPV)	Umbrella organisation that provides the link between the CCG and the four service provider organisations of the SIB. It subcontracts all the delivery work, manages the finances, and provides monitoring and quality assurance for the service provider organisations.
Mental Health Concern	Service provider	A charity-led mental health group based in the North East of England providing a range of specialist mental health services.
Changing Lives[73]	Service provider	UK charity providing specialist support services for vulnerable people and their families.
First Contact Clinical	Service provider	Social enterprise providing community-based behaviour services, behaviour change training, research, and consultancy support for people and professionals living and working in the North East of England.
HealthWORKS Newcastle[74]	Service provider	Charity based in Newcastle working with local communities across the North East of England to improve health, wellbeing and life outcomes.
Bridges Fund Management[75]	Investor	Specialist private markets investor that provided Ways to Wellness with an investment of £1.65m to set up the project, financed through their Social Impact Bond fund—the first one of its kind (with Big Society Capital as a cornerstone investor; cf. Section 4.2).
Newcastle Gateshead CCG	Outcome funder	NHS commissioning body that organises the delivery of NHS services in the area, making payments of up to £8.2m to Ways to Wellness based on the outcomes achieved by the service providers.
Commissioning Better Outcomes Fund	Top-up fund	Established by the Big Lottery Fund, this fund contributes £2m in subsidies to de-risk the SIB project for the Newcastle Gateshead CCG.
Social Outcomes Fund	Top-up fund	Established by the Cabinet Office, this fund contributes £1m in subsidies to de-risk the SIB project for the Newcastle Gateshead CCG.

[73] Changing Lives did not receive enough patient referrals and, as a consequence, had to withdraw from the SIB contract at a later stage (cf. 5.3).

[74] HealthWORKS Newcastle did not receive enough patient referrals and, as a consequence, had to withdraw from the SIB contract at a later stage (cf. Section 5.3).

[75] The company was renamed from *Bridges Ventures* to *Bridges Fund Management* in 2014 (cf. Section 4.1.

In contrast to the London Homelessness SIB, 'Bridges' investment is a fully at risk investment with no fixed coupon (i.e. a guaranteed rate or level of return to investors irrespective of contract performance) or secured level of return' (Ronicle & Stanworth, 2015, p. 3). The SIB programme repays Bridges through the outcomes payments they receive from the CCG. In the SIB's further development, Bridges also played a fairly influential role and decidedly a greater saying than the investors in the London Homelessness SIB. This should be attributed to the greater degree of financial risk they are exposed to. The investors were additionally involved earlier than the service providers in this case, whereas the service providers of the London Homelessness SIB had to negotiate deals with investors themselves.

Ways to Wellness had a relatively short procurement process. It started in March 2014 (Ronicle & Stanworth, 2015, p. 6) and '[i]n June 2014, after a procurement process, four providers were appointed to deliver the social prescribing service under a two-year contract, with tasks including employing and managing the so-called Link workers who support patients with long-term conditions through social prescribing' (Tan et al., 2015, p. 46). Ways to Wellness functions as an umbrella organisation delivering social prescribing through subcontracts with four service provider organisations: Changing Lives, Mental Health Concerns, HealthWORKS Newcastle and First Contact Clinical (Steadman et al., 2017). Each of the four providers has between five and seven link workers, who each manage a case load of between 40–70 beneficiaries. The following table provides an overview of the different actors involved.

Impact Bonds in International Development

In 2012, the same year the DIB Working Group was convened to developed the DIB mechanism (cf. Section 4.2), DFID launched the so-called Girls' Education Challenge (in collaboration with PricewaterhouseCoopers). This was a flagship programme that made funding available 'to enable girls to learn through improved schools, better teaching and greater community engagement' (DFID, 2016, p. 2).

The call for proposals invited non-state organisations to submit projects and also mandated that all applications should reflect DFID's 'Value for Money' approach according to which applicants must 'maximise the impact of each pound spent to improve poor people's lives' (Department for International Development, 2011, p. 3). It additionally stated that applicants should 'consider if their project could be designed to include Payment by Results (PbR) (. . .) which implies grant payments in arrears following independent verification of pre-agreed results, or may also involve the "development impact bond" approach' (Department for International Development, 2012a, p. 16). This is illustrative of how the idea of (development) impact bonds was gaining traction around 2012 in development policy circles, and how NGOs were encouraged to produce respective proposals, even though no DIB had seen the light of the day yet.

One of the organisations that sought to participate in the DFID challenge was *Educate Girls*, a Rajasthan-based NGO founded in 2007. Its aim is to empower communities to facilitate girls' education in rural India and help them take a stand against gender inequality (London School of Economics and Political Science (LSE), n.d., para. 5). Operating in government-run schools in Rajasthan, the NGO employs child-centric teaching and learning techniques to improve children's motivation and educational outcomes. The organisation had reached out to Instiglio, a nonprofit, results-based financing advisory firm in Colombia, to assist the NGO in the development of the proposal for the Girls' Education Challenge, including the PbR funding component (John, Chia, & Ito, 2017, pp. 56–57). The proposed intervention focused on children living in the Bijoliya, Mandalgarh, and Jahajpur blocks in the Bhilwara district of Rajasthan—an area which is, according to Husain, 'still very caste-ridden, very feudal' (cited in Crabtree, 2013, para. 6). Rajasthan has nine of the 26 districts with the worst gender indicators in India—and 40% of girls drop out of school before they reach fifth grade; only 15% of children in primary school can read a simple story in Hindi (Gustafsson-Wright, Boggild-Jones, Segell, & Durland, 2017, p. 80). As

Husain points out, '[e]verything the tourists love about Rajasthan—the traditions, the women in long veils, dresses and gold bangles—all of that can be bad for women' (cited in Crabtree, 2013, para. 6). The proposed intervention for the competition was built on identifying volunteers at the village level who are able to identify out-of-school girls and work with parents and the community to enrol them. These volunteers were also foreseen to improve educational outcomes of in-school children through a specific curriculum.

In the course of the application process, however, the UK's International Development Secretary announced that no new British financial aid grants would be made to India, reflecting 'India's successful transition to become a key part of the global economy' (Department for International Development, 2012b, p. 1). Thus, Educate Girls' proposal was no longer eligible for the competition. As an interviewee from Educate Girls pointed out, 'we were left with a concept that was intriguing, exciting, but we did not have any takers, as in, no investors'.[76] The NGO started to conduct roadshows in India and abroad to promote the project, but although the proposed intervention aroused interest among potential funders, no one was willing to back it.

A senior UBS banker eventually learnt about the concept at a reception for Educate Girls in Geneva (hosted by one of the NGO's regular funders) in 2013 and introduced them to representatives of the bank's foundation, UBS Optimus Foundation. Husain was subsequently invited to speak at the UBS Philanthropy Forum—'a networking event for the superrich' (Finews, 2016, p. 4) in the luxury winter resort of St. Moritz in Switzerland (Finews, 2016). As Loraque (2018) describes, 'Instiglio talked with UBS about funding Educate Girls through a DIB, which they found intriguing' (p. 67)—and thus, 'out of the ashes of our mammoth proposal rose the framework of our DIB' (Bukhari, 2017, para. 7). As the proposal already had an impact

[76] Author's Skype interview with Maharshi Vaishnav (Development Director at Educate Girls), 5/6 October 2017

bond-like structure, it provided a good starting position for heeding the calls in development policy circles for assembling the first *development* impact bond. UBS Optimus (which was not part of the aforementioned DIB Working Group) seized the opportunity and turned the proposal into the first DIB pilot. This decision also allowed Instiglio to established its position in the impact investing advisory market through the pioneering DIB project. UBS Optimus Foundation acted as an investor and provided the working capital needed for the 'proof of concept' to be implemented. So, instead of soliciting investors, the challenge for Educate Girls and UBS Optimus Foundation was to find an underwriter to guarantee interest and repayment. Rather than seeking a public institution to fund the project, UBS Optimus sought to work with a grant-making foundation to create a showcase project that would make the DIB model palatable to donors and investors. As Perakis (2014) points out, 'in addition to improving the lives of children that stand to gain from this pilot, UBS Optimus Foundation's interest in it was to test the model and potentially demonstrate to other investors that DIBs could be a way to invest in social outcomes and help to scale programmes that can demonstrate success' (para. 4; cf. Chandrasekhar, n.d.; (Shankaran, 2018, para. 5)).

According to Finews (2016), the partner organisation that was originally meant to act as outcome payer for the DIB had dropped out in the run-up to its launch of the DIB, and 'the foundation had a problem' (p. 3). The Children's Investment Fund Foundation (CIFF), a London-based grant-making foundation linked to TCI Fund Management Ltd., became the new outcome payer. TCI Fund Management is a London-based hedge fund management firm founded by Christopher 'Chris' Hohn, 'an immensely rich British investor who with his fund (. . .) once forced the head of the German stock market to resign' (Finews, 2016, para. 5).[77] The CIFF had already been researching SIBs in the past and 'was excited about being involved with the first one, and to learn from the experience and contribute to the knowledge and evidence about this emerging field' (Loraque, 2018, p. 67). But CIFF was also reluctant to embark on the adventure at the beginning, '[t]he foundation's board went back and forth about the decision debating whether the DIB was viable' (Saldinger, 2016, para. 13). So even with the strong 'bonds' between UBS Optimus and the CIFF, actors were still cautious, not immediately convinced by the DIB proposition. The CIFF eventually agreed to act as outcome funder of the programme.

Two different evaluation tracks were implemented for the DIB. On the one hand, the US-based impact evaluation company IDinsight was contracted to design and implement the outcome evaluation and deliver outcome reports to the DIB Working Group (John et al., 2017, p. 57). On the other hand, the DIB also hired a second international development consulting firm called Dalberg Global Development Advisors as a 'process evaluator'. Their job was to 'document the DIB design process, follow implementation and disseminate learning' (John et al., 2017, p. 57). These different verification agents are responsible for auditing the schemes.

As Gustafsson-Wright et al. (2017) emphasise, '[e]ven if the eventual outcome funders will be donors, it is still important to engage with the domestic government in developing countries to ensure that the impact bond aligns with the administration's policy priorities' (p. 31). The DIB correspondingly included two memorandums of understanding with the state of Rajasthan, as the programme targeted public schools (Gustafsson-Wright & Gardiner, 2016, p. 51; Loraque, 2018, p. 67).

[77] UBS Optimus Foundation's CEO, Phyllis Costanza, had been director of leverage at CIFF and also sat on its board before she joined UBS Optimus Foundation (Finews, 2016; Loraque, 2018). Yet, UBS Optimus' head of communications assured that '[t]he fact the CEO Constanza had worked for CIFF however, had "absolutely no influence" on the decision' (Finews, 2016, p. 3). UBS Optimus foundation and CIFF had already worked together before. In 2013 they both engaged in the Global Nutrition for Growth Compact project to combat child malnutrition (*Philanthropy News Digest*, 2013).

4.5 Concluding Remarks

Impact bonds have become a hot topic, not only regarding funding welfare arrangements and development projects but also as a nascent part of the wider set of ideas and practices that make up the field of impact investing. This chapter has outlined how certain questions concerning welfare-state configurations, fiscal austerity, social-policy innovation, financial innovation, philanthropy, and the expansion of the financial industry have prepared for the emergence of impact bonds to finance welfare and development projects. To describe this development, I elucidated the formation of three impact-bond case study projects: Ways to Wellness, the London Homelessness SIB, and the Educate Girls DIB. The case of impact bonds also reveals how ostensibly 'local' projects entail a host of spatial connections and entanglements between everyday social welfare provision and the 'rarefied' spaces of global finance (cf. French, Leyshon, & Wainwright, 2011). In this sense, impact bonds are an example of how financialised capitalism reaches directly into the mundane geographies of everyday life. In the course of this analysis, I have particularly focused on the different events and practices that led to the formation of the first pilot impact bond in the UK. Moreover, I examined the work that organisations like the Rockefeller Foundation and Social Finance carried out to build an ecosystem for disseminating impact bonds and providing 'free' (i.e. subsidised) technical assistance to government agencies, investors, and social purpose organisations.

Every impact bond is set up in specific local contexts by actors who mobilise specific elements and combine them in the form of a particular intervention. Agreeing on the different metrics, creating and signing the different contracts, and launching the service was a rather cumbersome process. As a representative from Ways to Wellness stated, '[t]here are multiple stakeholders (CCG, SPV, four service providers, the Fund, Cabinet Office and Bridges Ventures), each with their own interests and own contracts. Aligning them all has been immensely difficult and led to a "complex web of contracts'" (cited in Ronicle & Stanworth, 2015, p. 9). Having investigated the emergence of the three case study projects, the next chapter focuses on their structure and operation. I argue that the conflation of evidence-based practices and benevolent finance gives rise to a distinct mode of reasoning marked by an outcome-oriented structure that enacts a particular logic of the everyday.

5. Factivist Finance as a New Repertoire for Public Action

In Chapter 4, I discussed the platforms and events that led to the formation of the world's first SIB at Peterborough prison, the emergence of the impact investing economy, and the formalisation of the case study projects. The discussion showed how the three impact bonds were set up in local contexts by different actors who mobilised specific elements in their development. This chapter now examines the actual interventions, metrics, and their effects in an everyday context. First, the chapter discusses an SIB that sought to improve outcomes for homeless persons in London, then an SIB in health geared towards tackling socio-economically patterned health conditions, and finally 'an early attempt to adapt the social impact bond methodology for international development projects' (John et al., 2017, p. 11).

The case studies demonstrate that—rather than simply implementing existing financial or ethical values—impact bonds bring elements from different domains together through long and difficult negotiation processes to produce a distinct mode of reasoning. Complex experiments are enacted that specifically use randomised control trials (RCTs) and other (quasi-)experimental methods to test if interventions lead to positive social effects for people in need. These experiments rely on a set of specified positive changes in service users' lives and circumstances—social outcome targets—as well as continuous data-collection activities to ascertain whether the projects make progress vis-à-vis the defined outcomes. The role of risk capital in these programmes is said to consist of facilitating a testing ground for trying out new preventative approaches and for finding evidence of what works in tackling complex social problems, rather than just alleviating suffering (cf. Mason et al., 2017b, p. 34). Data-collection activities not only help actors oversee and steer such projects; payments are made contingent upon the measured results. Thus, data-collection and evaluation practices also play a role in reassuring financial subjects that they are not simply buying into a feel-good investment. Monetary returns are not produced by a financial instrument in the abstract; governments and foundations only compensate investors if positive social outcomes can be demonstrated for a given timeframe.

In this particular outcome structure and culture, both social work and financial and contractual frameworks are organised around the improvement of a set of social outcomes, meaning positive changes in the wellbeing, behaviour, and knowledge of a marginalised group. Impact bonds give rise to a fact-based, aspirational ethics that is predicated on evidenced solutions to help service users through individualised social interventions at the local level. Through the adoption of an 'aura of science', a new field is opened for public action in which complex social problems can (and must) be tackled with the help of private financial risk-taking. In this logic, charismatic and influential 'compassionate capitalists' not only fund the implementation of complex and challenging experiments—they also invest time and expertise to conceptualise these programmes and ensure their success. Against the background of exacerbated issues of inequality and poverty and a strained welfare state, these actions are portrayed as a way of dealing with limited resources economically. Either their social impact is demonstrated, or impact investors pay the bill. As I show in the chapter, this particular configuration brings the existing practices of PbR and impact reporting to a new level, sketching out a new repertoire for public action. For investors, in turn, there is almost a 'responsibility to profit', as they can only gain financially if service users' lives are demonstrably improved (at least according to the reference points).

The ‘everydayness’ of the impact bond mechanism is a direct concern of the chapter, reflecting how impact bonds construct a particular logic of the everyday through a result-oriented structure that determines the operation of such interventions. I draw attention to examples of metrics and data collection practices and the reliance on IT systems. Rather than only evaluating data retrospectively, the schemes employ practices of performance management based on near real-time data to track progress and adapted their operations if the results show that outcome targets were not met. In this setup, investors are not merely passive sources of money but devote time and expertise to dealing with complex social issues. Rather than only providing investment capital, they regularly meet with other stakeholders to discuss results and both support and challenge service providers to improve outcomes for a target group.

To develop this argument, the chapter is divided into three broad sections. The first section provides an overview of the intervention of the three different cases studies to then lay out the social outcome targets used. Section two elucidates how impact bonds bring a set of disparate elements together to produce a distinct mode of reasoning. In this context, I also discuss the testing ground argument, meaning the claim that private finance is needed in the context of impact bonds to finance experiments for testing new preventative approaches that can then be scaled up if they are successful. Section three analyses how the outcome-oriented structure and culture of impact bonds infiltrates the operation of social projects at the subject level, constructing a particular logic of the everyday. The concluding section restates how, rather than simply implementing existing financial or ethical values, the case study projects bring elements from different domains together to enact ‘field experiments’. The section then segues into a discussion of how this ‘space of problematization’ (Collier, 2009, p. 96) reveals inconsistencies and limits, which are discussed at length in Chapter 6.

5.1 The Primacy of Measurable Social Outcomes

In Section 4.4 I portrayed the events and actors that led to the development and implementation of three different impact bond case study projects. Having shown how the actors involved worked with social service providers, advisors, impact evaluators, and investors to formalise and launch these schemes, I now discuss the different intervention models of these impact bonds and how they connected to specific sets of so-called social outcome targets. In the first step, I provide an overview of the different interventions and metrics that were used. In the second step, building upon the theoretical framework established in chapter 3, I discuss in detail what notion individuals construct of impact bonds in these different contexts as a certain object of thought and how disparate rationalities and techniques are connected in this process.

Changing the Lives of Rough Sleepers

The London Homeless SIB was operated from 2012–2015, seeking to care for homeless individuals who had been on the streets for years and who are 'amongst the most vulnerable people in society' (Mason et al., 2017b, p. 7). Its target group of the SIB consisted of 831 homeless persons, defined based on the so-called Combined Homelessness and Information Network (CHAIN) database—a multi-agency database that contains information on homeless individuals in London. This database is probably unique in the world and contains a large amounts of data on homelssness in London, including names of individuals with a history of rough sleeping, along with data on their support needs, nationality, and age (DCLG, 2017, pp. 13–14). The CHAIN database is constantly updated by various London homelessness agencies and already existed prior to the SIB.

This database played an important role for both the definition of the target group and for measuring the intervention's effects. Based on its information, the actors involved in the design phase of the SIB-funded intervention identified a group they referred to as ‘inbetweeners’: homeless persons ‘who have had multiple separate episodes of rough sleeping related to various underlying “problems”, but who have not yet been labelled as chronic’ (Cooper et al., 2016, p. 70). This group has fallen through the cracks of existing homelessness services which are typically either geared towards individuals who have just started sleeping rough or those who are chronically homeless. The outcomes for these ‘inbetweeners’ have remained poor over the years. Many of them suffered from complex issues around drug and alcohol use, and mental and/or physical illness. The analysis of the CHAIN database revealed that a sixth of the rough sleepers accounted for almost half of all recorded unsheltered sleeping occasions in London, and that ‘inbetweeners’ were a significant part of this. The DCLG held informal consultations with various stakeholders from the voluntary sector, the GLA, and London boroughs discussing SIBs and started to agree with different stakeholder groups on developing interventions and the metrics they wanted to use.[78]

Depending on their reported location, members of this inbetweener-group were assigned to the two sub-projects: ‘Street Impact’ and ‘Thames Reach Ace’ (cf. Section 4.4). These two programmes provided each rough sleeper with a ‘navigator’, that is, a consistent, trusted adult who acted as a personal contact to bring them off the streets and into stable accommodation. As there were many existing homeless services in London (operated by over 150 different providers), the goal was not to duplicate existing services but for navigators to slowly build trusting relationships with the rough sleepers, fill in service gaps where necessary, and offer both support and encouragement to support individuals.

‘Investors were interested in fundamentally solving the problem of homelessness’ as one of the programme evaluators put it. In other words, they wanted to address the complexity of the service users’ needs and situations to enable them to sustain

[78] I provide a detailed appraisal of the metrics in Chapter 5.

accommodation in a stable way.[79] The project tried to achieve this by being fact-based about poverty alleviation, calling forth an eminently instrumental approach that relied on outcome measurement. The actions were geared towards achieving specific outcome targets such as a reducing unsheltered sleeping, supporting individuals into stable accommodation, and endorsing individuals to progress toward better health and employment. Five different social outcome targets were defined and weighted (i.e. different proportions of funding were allocated reflecting the project's priorities). Below, I provide a brief summary of the SIB's targets (the percentages in brackets indicate the funding allocated).[80]

Reduce unsheltered sleeping (25%): This payment metric was geared towards reducing unsheltered sleeping each quarter. The proportion of people from the group seen sleeping unsheltered had to meet or fall below a quarterly reduction target. Achievement of this target was assessed based on the CHAIN database as the system not only contains sociodemographic characteristics but also logs the contacts rough sleepers make with outreach workers and their arrivals and departures from short-term accommodation (e.g. hostels) (Cooper et al., 2016, p. 70). Service provider staff not only had to track the respective information of every member of the target group in CHAIN but also constantly update it with new information on rough sleepers (as the other homelessness agencies that use CHAIN do).

Support service users into stable accommodation (40%): Since hostels are typically only a first step from the street, navigators supported individuals into settled accommodation. Beyond helping people move into settled accommodation, the project aimed at confirming tenancy sustainment for 12 and 18 months, respectively. Stable accommodation was evidenced by service provider staff for each cohort member, based on tenancy agreements

[79] Author's personal interview with Nick Henry (Professor of Economic Geography and SIB Evaluator), 27 September 2017.

[80] For a detailed overview of the metrics see Mason et al. (2017b, pp. 38–77)

and similar documents. These evidences were audited by the GLA (Centre for Social Impact Bonds, 2013).

Reconnect to a country in which individuals have local connections (25%): This outcome target was geared towards reconnecting individuals to a country in which they had local connections. For non-UK nationals without a right to reside in the UK—as well as individuals who had a right to remain but who volunteered to return—the project aimed for evidenced moves to the home country 'where this is the most appropriate outcome' (DCLG, 2015, p. 3) tor them. Some of the homeless persons in the cohort had no recourse to public funds—a condition imposed on someone due to their immigration status. Persons with this condition cannot access social housing, welfare benefits, or employment. If service users had that particular status or other reasons why they did not want to stay in London, navigators engaged them in conversations about the option of returning to their home country. While the reconnections mainly comprised 'assisted voluntary repatriation' (DCLG, 2014, p. 1), they also included cases of administrative removal and deportation. This outcome target was therefore heavily criticised by activist groups such as Corporate Watch (Corporate Watch, 2017) as well as various articles in The Guardian (Picton, 2018; D. Taylor, 2017). The integration of this outcome target is particularly illustrative of how heterogeneous (and violent) the structures of impact bonds can be.[81] To verify the achievement of the reconnection target, navigators had to collect 'information and the necessary paperwork from foreign countries, either from the relevant authorities or from clients' relatives' (DCLG, 2014, p. 76).[82]

Support people into employment, volunteer work, or education (5%): This target was geared towards volunteer work or the achievement of a level 2

[81] I will return to this target and the issues around it in Chapter 7.1.

[82] A precondition for the reconnection target, obviously, also was that the individual does not reappear sleeping rough in London, i.e. no re-appearance in the CHAIN database.

National Vocational Qualification (NVQ) as well as part-time and full-time employment over several weeks.[83] For this outcome, the evidences required consisted of service users' payslips, proof of NVQ achievement, or confirmation of volunteer work.

Better health management (5%): For this last metric of the London Homelessness SIB, accident and emergency (A&E) episodes were compared against a defined reduction target. This outcome was geared towards supporting service users to better manage their health and, as a result, reduce their A&E consultations. Assessment of this metric was based on NHS Hospital Episode Statistics (HES), a data warehouse containing details of admissions, outpatient appointments, and A&E attendances (NHS Digital, 2019). Based on HES, the SIB metric was planned to compare A&E episodes against a defined reduction target. The outcome target was geared towards supporting service users to better manage their health in order to become less frequent A&E users.[84] As I show in the next section, this metric was very similar to Ways to Wellness' secondary care costs reduction target.

This framework is one example of a socio-technical infrastructure that gauges social value, as I described in section 1.3. The technocratic approach of the SIB outlines a very particular kind of knowledge about situations characterised by precariousness, meaning the idea that the truth can be found in numbers. Metrics create a frame for reading and classifying individuals' behaviour. Defining them is a process of abstraction and simplification that transforms complex issues like homelessness or educational alienation into stable numerical output, graphs, and charts.

[83]The Department for Business, Innovation and Skills (2016, 5) describes NVQ level two as follows: [C]ompetence, which involves the application of knowledge and skills in a significant range of varied work activities, performed in a variety of contexts. Some of the activities are complex or non-routine, and there is some individual responsibility or autonomy. Collaboration with others, perhaps through membership of a work group or team, may often be a requirement.

[84]As I will explain in Chapter 6, this outcome target could eventually not be assessed because the NHS retracted a previous data sharing agreement (Mason et al., 2017b, p. 29).

This heterogeneous set of outcome targets had already been developed in the DCLG-commissioned feasibility study (cf. Section 4.4) prior to the project's tendering process. Albeit in consultation with various homelessness stakeholders, it was ultimately the DCLG that defined the outcome targets, put a maximum price on them, and subsequently let the bidders compete to try and deliver the pre-defined outcomes as effectively as possible (Mason et al., 2017b). This procurement procedure reflects longer trends in terms of the role of modern government associated notions of 'new public management' (Ferlie, 1996) and 'reinventing government' (Osborne & Gaebler, 1993).[85] The way the London Homelessness SIB was tendered out is reflective of decentralising government structures in favour of enterprising models for social welfare provision (cf. Nicholls & Tomkinson, 2015, p. 340). This example correspondingly shows how this type of decentralisation does not imply a retreat of the state but a financialised reconfiguration of service provision with, as Berndt and Wirth (2018) argue, a 'continuing presence of the state as a distant, yet active player' (p. 33). The DCLG set the targets according to their priorities, including not only their aim to act on homelessness in the city but also the creation of the aforementioned 'hostile environment'. This aspect is illustrative of the ways disparate considerations can be assembled into such a programme.

While the DCLG took a leading role in developing the outcome targets and the tendering procedure, it outsourced the financial risks. Private investors provided the up-front funding with which the SIB project was run. There was no basic state funding for running the service. The GLA, which was responsible for managing and commissioning the project on behalf of the DCLG, only paid the service providers in arrears (quarterly) and dependent on the outcomes they had achieved (DCLG, 2015). The service providers, in turn, paid off the investors, who received a fixed

[85] These approaches typically envision the introduction of market mechanisms, the decentralisation of management authority in order to split up bureaucratic organisations, the establishment of targets and performance measurement (against these targets), and the emphasis on the customer-orientation of services (cf. du Gay, 1996; Hood, 1995).

annual interest rate of up to 6.5% per year on their original investment as well as the principal sum in late 2016, after program completion and an additional 12 months to assess the sustained outcomes (Mason et al., 2017b).

This funding structure marks a departure from the SIB model described in Section 4.2: investors' financial returns are, in this case, not contingent on the project's outcomes (DCLG, 2014, pp. 50–52).[86] As I elucidated in Section 4.2, there is no stable paradigm in terms of the formal features of an impact bond; 'the things we call "impact bonds" are so different from each other that they can't easily be understood as a defined model' (N. Ball, 2019, p. 3). In contrast to the Peterborough SIB and many other programmes, the London Homelessness SIB transferred about a third of the financial performance risk to service providers and away from the commissioner and the investors. St. Mungo's and Thames Reach themselves provided equity financing, which was at risk before the investors' principle sum was. However, the fact that the service providers had some investment also meant that they had the opportunity to earn financial returns from the intervention (which they eventually did).[87] Thus, this programme also made the service provider organisations, which are both larger providers of homelessness services, into investors.

The programme's impetus on data collection and performance management to achieve the targets listed above is said to have allowed the service providers the flexibility to work in non-prescribed, innovative ways that would otherwise not be eligible for direct public funding. As the focus of the project lay on the outcomes above, navigators were given a high degree of freedom as to how they achieved them. This structure enabled navigators to work more flexibly without consistently consulting the GLA

[86]The only performance-dependent payment was agreed with Big Issue Invest, but on top of a fixed rate.

[87]Interviewees made contradictory statements regarding the final profit earned by the service providers but there decidedly was a surplus for both organisations.

(as it would be the case with traditional, delivery-based contracts). As a St Mungo's interviewee specified:[88]

> In-depth case work needs time and (. . .) these sort of contracts give the workers who are doing the outreach work time to focus on people, (. . .) [to] really drill down, because everyone's got a story.

The strict focus on outcomes is believed to lead to better results. This is often referred to as 'black-box approach'; in other words 'the focus on outcomes frees service providers to offer innovative interventions and, if necessary, the flexibility to modify those interventions during delivery' (Carter et al., 2018, p. 13; cf. Albertson & Fox, 2018, p. 92; Sinclair et al., 2014, p. 121; Sinclair et al., 2019, pp. 4, 5, 10). So, while there was very clear guidance regarding data collection on the projects, service providers were given a high degree of freedom as to how they achieved impact.

It is often argued that service providers are empowered through impact bonds to do 'the right thing'. The navigators were given a high degree of freedom as to how they spent money and worked together with rough sleepers individually to achieve outcomes. Service-provider staff argued that the prioritisation of outcomes allowed them to look 'at each individual person in the cohort you are working with' and improve the outcomes for them individually.[89] So, the navigators had more time to provide assistance with personal talks or visits to the authorities, and they could also place service users in a bed and breakfast on short notice. Moreover, they could make use of personalised budgets, for instance to pay for furniture, swimming lessons, or the renewal of birth certificates and identifications (which are crucial documents for not only the rehousing process) (Swain, 2015). The personalised support through a dedicated navigator and the autonomy they had in spending money were seen as central success factors for the project, as it allowed navigators to focus on service

[88] Author's personal interview with Kathleen Sims (Service Development Manager at St Mungo's), 5 September 2017.

[89] Author's personal interview with Kathleen Sims (Service Development Manager at St Mungo's), 5 September 2017.

users' individual needs (Mason et al., 2017b, pp. 58–60). Incorporating outreach work into a frame of calculation is not only geared towards establishing an evidence base but also becomes the basis for organising social work. Data thus reported were used for more transparent reporting and data-driven performance management. As Mason et al. (2017b, pp. 32–33) point out:

> Active, consistent, ongoing performance management was required to ensure progress was being achieved (and the PbR led to a much greater awareness of clients' needs and progression).

Thus, the data collection regimes of impact bonds play a key role in rendering interventions investible, reassuring stakeholders (not only investors) that the monetary returns are not generated by a financial instrument in the abstract, but only accrue if people's lives and destinies have been de facto improved. Such performance management seeks to increase the rigour and responsiveness of service provision by encouraging staff to 'stay on track' (Edmiston & Nicholls, 2018, p. 69). As Gustafsson-Wright and Gardiner (2016) emphasise, '[w]ithout performance management, the traditional tools of monitoring and evaluation and impact evaluations often provide too little information too late' (p. 53). Having elucidated these metrics in the context of the London Homelessness SIB, the next section moves to an analysis of the Ways to Wellness project.

Changing the Lives of Patients with Long-term Conditions

The Ways to Wellness programme uses social prescribing, geared towards supporting 11,000 patients to make sustained lifestyle changes with the aim of improving their self-care and wellbeing through non-medical approaches outside the GP surgery (Ronicle & Stanworth, 2015). This is done through the work of dedicated link workers who are assigned to each patient. Individual goals commonly include a mix of healthy cooking and eating, physical activity, increased social activity, and connecting to voluntary and community groups and resources in the area (e.g.

walking groups, welfare rights advice, physical activity classes, gardening clubs, continuing education, arts groups). Moreover, the service provides support around benefits and welfare rights and promotes volunteering opportunities.

Similar to the London Homelessness SIB, this intervention employs an individual approach to helping service users and seeks to work with existing services. Link workers often cross-refer between voluntary organisations and social services: '[i]f the link worker believes that to accompany the client to the first session (or more) will help address communication and confidence issues, they will do so' (Steadman et al., 2017, p. 39). Also similar to the London Homelessness SIB is link workers' degree of freedom. As Steadman et al. (2017) point out, 'link workers have no restrictions on the number of times they meet with a client, although they work on a defined budget per client, which depends upon the length of time the patients are on the programme' (p. 39). The contact between the link worker and the service user can be in person, on the phone, or via text message and/or e-mail. The beneficiaries can remain in the programme for up to two years, but also beyond two years if the link worker thinks it is necessary. Link workers are trained in 'behaviour change methods' (Moffatt et al., 2017, p. 2) and work with beneficiaries to identify personally meaningful health and wellness goals. Service users are said to become 'equal partners in managing their health' (NHS England, 2016, p. 1).

In the case of the London Homelessness SIB, the outcome targets were defined at a relatively early stage in the DCLG-commissioned feasibility study and later transferred to the invitation to tender. In the case of Ways to Wellness, long and complex negotiations took place between the actors involved. Many different outcome metrics were discussed but 'discounted for either being unmeasurable or not a direct or reliable proxy for the outcome sought' (Ronicle & Stanworth, 2015, p. 9; Government Outcomes Lab, 2018c, p. 2). It was very difficult for the steering group in the run-up to the SIB to get the CCG on board. One of the key difficulties was creating metrics that reflect both individual health improvements for patients and savings from reduced secondary care costs. Elaborating a respective framework of metrics was a considerable challenge for the parties involved. The actors involved eventually agreed on using two different metrics: the Wellbeing Star, which reflects concerns of sustained health improvements, and secondary-care costs reductions (i.e. 'cashable savings') for the CCG. Hereafter, I elucidate the two different metrics:

Wellbeing Star (30%): Service users who enter the scheme complete a wellbeing and health self-assessment called the Wellbeing Star (see figure 5.1). The results are used to identify areas for behaviour change but are also one of the two outcome targets of the SIB (NHS Clinical Commissioners, 2015). Based on the Wellbeing Star, a patient's state of health and wellbeing is recorded along eight different dimensions such as 'looking after yourself', 'family and friends', 'managing symptoms', and 'feeling positive'. Every patient who enters the scheme carries out the Wellbeing Star assessment with a link worker during their first appointment. The self-assessment is then repeated every six months. In the course of the self-assessment, 'the patient basically says: "I think I'm a three on that, a four on that one" and that gives you an overall score' (NHS Clinical Commissioners, 2015, p. 8). Upon completion, link workers record the results in a dedicated management information system (MIS), which Ways to Wellness developed in collaboration with an external IT company.

As Ronicle and Stanworth (2015) note, '[j]oint completion minimises the risk of either beneficiary or provider under- or over-estimating progress made' (p. 5). Link workers not only use this self-assessment to assess a patient's current health situation and create numerical output for the SIB but also to identify areas where patients want to improve and set respective goals with them. The Wellbeing Star is then carried out every six months to verify if there have been improvements and if clients have achieved the agreed-upon goals; four such assessments are typically completed per

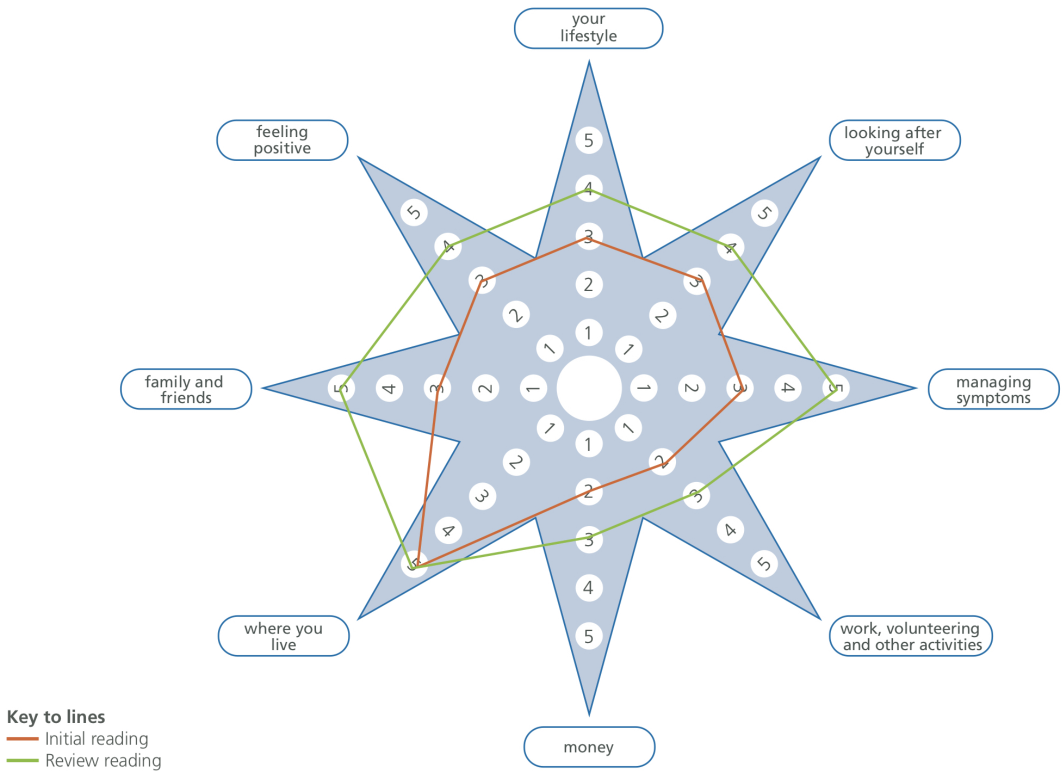

Figure 5.1: Wellbeing Star Assessment
(Triangle Consulting Social Enterprise, 2018, p. 4)

patient (Ronicle & Stanworth, 2015; Tan et al., 2015, p. 47). As Chris Drinkwater, Ways to Wellness Chair and Trustee Chair, noted, the Wellbeing Star is:[90]

> something that can be used in daily practice by the link workers and it functions as a quality assurance tool for the link workers and it's not, if you like, and add-on research tool; so it's something the link workers use in daily practice.

The service providers are paid for the completion of the Wellbeing Star assessment, regardless of the score (to avoid perverse incentives).[91] Ways to Wellness—the entity with an independent legal status that manages the delivery—however, receives

[90] Author's personal interview with Chris Drinkwater (Chair and Trustee Chair of Ways to Wellness), 20 September 2017.

[91] In order to avoid perverse incentives, the payments to the four service providers were not tied to health outcomes but to the number of patients they support. As Ronicle and Stanworth (2015) specify, the service providers received £125 for every patient referred to the service, £100 after completion of the Wellbeing Star six months after the referral, and '£50 payable at 15 months after referral and every 6 months thereafter for as long as the client remains engaged with the WtW project and there is an improvement in their wellbeing scores' (p. 5; Tan et al., 2015, p. 48).

payments of up to £492.50 per patient on a sliding scale.[92] The entire amount is paid if a patient scores an average of 1.4 points higher than the initial assessment on the final one and reduces down to 0% if it is less than 0.5 points higher (Ronicle & Stanworth, 2015, p. 5).

The second metric Ways to Wellness used is geared towards measuring the cost of secondary healthcare services—which, in the case of success, results from the improved health management of the patients in the target group.

Reduction of secondary care acute usage (70%): This metric aims at a 22% reduction of the patients' costs in secondary care acute usage per year compared to the control group (Ronicle & Stanworth, 2015, p. 5). 'Secondary care acute usage' is defined as the cost of use of hospital services, both unplanned and planned admissions, as well as the use of outpatient and A&E services (Rizzello, Caridà, Trotta, Ferraro, & Carè, 2018, pp. 94–95). Progress for this outcome target is measured through a counterfactual, meaning a comparison to the secondary care costs of patients with similar characteristics who do not use a social prescribing programme. The calculation relies on the RAIDR (Reporting, Analysis and Intelligence Delivering Results) system—an application that extracts data from GP IT systems. Based on RAIDR, secondary care data from the target group is compared to a control group in Newcastle East and Newcastle North. This is done in order to determine the health effects in terms of reducing secondary care acute usage through the intervention (Tan et al., 2015, p. 47).[93]

[92] It is for this reason that an SPV is usually set up, i.e. to shield service providers from the performance risk of the contract. An SPV was also arranged for the Street Impact programme run by St. Mungo's (see above).

[93] In the run-up to the project, it took stakeholders a very long time to set up an information governance structure that meets the NHS' patient data protection requirements. The project went through a cumbersome approval process to obtain a permission to access the patient data needed for the SIB. This even delayed the launch of the project.

Based on the positive causal effects of the service thus evidenced, the CCG pays a maximum of £332.50 per patient every year if the scheme achieves a 22% reduction of costs in secondary care acute usage (compared to the control group).

Improving Outcomes for Children in Rajasthan

The third case study, the Educate Girls DIB, was geared towards increasing school enrolment for girls in Rajasthan, India, as well as improving educational outcomes of both girls and boys in Hindi, English, and basic numeracy. Launched in March 2015 with a three year operation period, the intervention trained a team of volunteers to conduct door-to-door visits to talk with families and encourage girls' school enrolment. Moreover, actors organised community meetings in the villages and also used elders to convince families of the merits of educating their daughters (Mannion, 2018; Saldinger, 2017). Moreover, the scheme delivered a child-centric curriculum three times per week to boys and girls in grades three to five.[94] In total, the scheme targeted 18,000 service users. UBS Optimus Foundation invested in this endeavour to 'test the [DIB] model and potentially demonstrate to other investors that DIBs could be a way to invest in social outcomes' (Perakis, 2014, para. 4). In terms of metrics, there were two building blocks to the outcome assessment.

Enrolment of out-of-school girls (20%): The number of girls on school rosters in grades 2–8 in the treatment group was measured over three years. Every girl whose enrolment could be attributed to the DIB programme therefore counted as 'one unit of enrollment' (Instiglio, 2015b, p. 22).

Eligible girls were between the age of seven and 14 over the course of the three-year period (Gustafsson-Wright et al., 2017, p. 81; Instiglio, 2015a, p. 5). Through household surveys conducted prior to the DIB launch, a baseline of out-of-school girls was created. The accuracy of the enrolment list was independently verified by the evaluator IDinsight (Kitzmüller et al., 2018). Educate Girls considered enrolment into

[94]The scheme covered activities in 166 government schools in 140 villages, and targeted 15,000 children (9,000 of them girls).

grade one to be the government's obligation (Instiglio, 2015b, p. 22). Enrolment was then measured among girls in grades two to eight in government primary and upper primary schools, verified by the headmasters' signatures in the respective schools (Gustafsson-Wright et al., 2017, p. 82). In addition to enrolment, the DIB used a metric that focused on both girls' and boys' learning outcomes.

Aggregate learning gains for all students in grades 3–5 (80%): The educational outcomes of both girls and boys in Hindi, English, and basic numeracy were measured was based on the Annual Status of Education Report (ASER) assessment. Created by the Indian nongovernmental organisation Pratham, the ASER test annually measures arithmetic and reading levels of children from ages six to 14 (Gustafsson-Wright et al., 2017, p. 81; Savedoff, Perakis, & Schwanke, 2016, p. 3). It aims to 'to provide reliable estimates of children's enrollment and basic learning levels for each district and state in India' (Saldinger, 2018, para. 24). The test specifically assesses basic literacy in Hindi and English as well as basic numeracy (i.e. the starting grades on a scale) of A to E for English and math, and A+ to E for Hindi. Male and female students in grades one to five went through a respective baseline test.

'[I]n an effort to use one of the most rigorous tools available given the scrutiny the bond would be under' (Saldinger, 2016, para. 19), the DIB employed a clustered RCT. This (quasi-)experimental method uses a counterfactual, in the form of control groups, to determine the DIB's causal effects (i.e. the impact generated). As Athey and Imbens (2017) explain, '[c]lusters may take the form of schools, where within a school district a number of schools are randomly assigned to an educational intervention rather than individual students, or villages' (p. 109). For the analysis, IDinsight compared the arithmetic and reading levels of children in schools targeted by Educate Girls to the levels of children in control schools, based on the aforementioned ASER testing tool (Kitzmüller et al., 2018, p. 4). At the end of every school year, the students were assessed again. The evaluator then calculated the aggregated improvements (in terms of the levels gained on the ASER scheme) and compared them to the improvements made by children in the control schools.

The data thus reported did not only serve as a basis for the external justification of activities. In a similar manner as the Ways to Wellness and the London Homelessness SIB, actors used such numerical output for data-driven performance management. As Safeena , founder and CEO of Educate Girls put it (cited in Instiglio, 2017, p. 87):

> One of the benefits of the DIB has been building an organization that has performance management in its DNA. Regardless of the scale, every part of the organization is delivering to outcomes.

Here, again, the focus on outcomes (rather than prescribed services etc.) is said to be a central advantage of the model. As Husain pointed out (cited in John et al., 2017, p. 56):

> Payment by Results was attractive because its 'activities agnostic' approach would help us maintain a razor sharp focus on impact without any distractions; we could innovate, adapt and tailor our programmes to achieve the best possible results for marginalised girls, and ensure that funders only pay for results achieved. It would expedite scale and help us leave a larger impact footprint.

Based on the data reported, Educate Girls implemented many changes to the service delivery structure during the project. For instance, actors found that it is more difficult to get older girls back into school, and they adjusted their techniques and efforts to focus more on this particular group (Saldinger, 2017). Moreover, the teaching groups were further aligned with pupils' competency levels, and the curriculum content was improved. For persistent absentees, additional home visits were conducted. As Gustafsson-Wright and Boggild-Jones (2018b) note, '[w]ith a focus on outcome metrics and improved performance management, Educate Girls were able to respond to new information to improve their service provision' (para. 6). A similar aspect is put forward in an article about the DIB in *The Economist* (2018, p. 64):

> Instead of having to send tedious reports to a donor about how [Safeena Husain, founder and CEO of Educate Girls] was spending money, she concentrated on solving problems. Educate Girls found, for example, that many pupils could not do long division because they did not understand the concept of place value. So its workers taught remedial classes.

These aspects are illustrative of how the emergence of impact bonds not only financialises the operation of such interventions. With the mechanism also comes a particular outcome-oriented structure that builds from scientific methods as well as performance-management practices that seem new to voluntary and non-profit organisations. The ensemble of these different elements and practices infiltrates the ways in which projects are understood and operated at the subject level. This also seems to be the case regarding investors who perform types of labour that go beyond the practices of the ethical investors described in Section 2.3. Instead of only choosing certain investment opportunities and compiling an individual ethical investment portfolio, investors are closely involved in developing, structuring, tendering, contracting, and overseeing these schemes. In what follows, I map the distinct mode of reasoning that seems to contextualise the three case study projects.

5.2 Do-Good, Not Feel-Good Investing: The Promises of Measurement

As shown in Section 2.1 and Section 4.1, the rationalities and techniques that can be observed in this space are not necessarily new. Discourses on PbR and evidence-based policy have a longer history in the social and development sector: the introduction of rational methods of business management to the administration of charitable deeds dates back to Rockefeller and Carnegie in the late 1960s, and practices of impact investing have been around since the 1970s in the form of SRI, microfinance, and other vehicles.[95] Impact bonds recombine and deploy these different elements in a particular configuration that governs the lives of a ‘target population’. Invoking Collier’s (2009) notion of a topology of power, I outline how these practices are assembled into a new formation of government through a distinct mode of reasoning, whereby private monetary returns are made contingent upon the perceived wellbeing of LTC patients in Newcastle upon Tyne or the arithmetic and reading levels of schoolchildren in Rajasthan.

A Responsibility to Profit?

Although revealing very different (sometimes antagonistic) aims, formal features, and actors, the ensembles thus formed all gave rise to a particular logic. Impact bonds employ a seemingly scientific approach to ‘do-gooding’. This version of compassionate capitalism does not so much rely on moral virtue or emotionally compelling stories and images of socially distant others (or aid rituals) but seeks to bring a greater measure of objectivity to care for the poor. I argue that the data-collection regimes of impact bonds play a key role in both rendering interventions investible and reassuring stakeholders (not only investors) that monetary returns are not just generated by a financial instrument in the abstract but have always demonstrably improved people’s lives in comparison to the status quo.

Impact bonds facilitate experiments that produce numerical evidence of projects’ positive social outcomes, thereby departing from both investing vehicles and social and development policy that is predicated on only good intentions. One of the London Homelessness SIB investors I interviewed said:[96]

[95] See Section 4.3 for a detailed description of impact investing.

[96] Author’s personal interview with Katy Pillai (Investment Director at Big Issue Invest), 1 November 2017.

> What I quite like about this structure is that it allows you to answer questions objectively (. . .) whereas before it just tended to be ideology.

The numerical output generated by impact bonds manages to constantly reassure actors that they are not mistaken about what it means to do good, that financial profits are meaningful and justified, and that tax money (or part of a foundation's endowment capital) is thus well spent. The resulting empirical evidence immunises impact bonds' transactions against the interferences of political confrontation.

The creation of an 'aura of science' is impressively illustrated by the use of comparative models such as RCTs, which are considered the gold standard for impact bond evaluations (Tse & Warner, 2018, p. 9). The RCT is a (quasi-)experimental method that uses counterfactuals in the form of control groups to determine the causal effects of an intervention (i.e. the impact generated) compared to the status quo. Put differently, RCTs are believed to help isolate the positive effects of social interventions from those of the environment (cf. Athey & Imbens, 2017). The use of (quasi-)experimental methods that use a counterfactual reflects a broader shift in the study of international economic development. As Wykstra (2018) argues, prior to 2000, economists used to study the macro issues, such as looking at large datasets, comparing many different factors across countries, and reasoning why certain countries displayed economic development while other did not. However, since the early 2000s, economists like Duflo and Banerjee (2017) have shifted focus from thinking about the root causes of poverty to the effects of micro anti-poverty programmes.[97]

Educate Girls is the only case study project that employed an RCT, yet Ways to Wellness also uses a control group to determine the reduction of secondary care acute usage. Relying on RAIDR, which extracts data from GP IT systems (cf. Section

[97]The common examples of such evaluations include the distribution of bed nets to combat malaria, or the effects of deworming pills on children's school attendance and later-life income (cf. Leigh, 2018).

5.1), secondary care data from the target group is compared to a control group to determine causal effects (Tan et al., 2015, p. 47). In the case of the London Homelessness SIB, the DCLG conducted its own supplementary study, in which it examined the difference between the intervention and two comparison groups from 2010 and 2011 that did not benefit from the SIB.[98] The groups were matched using the propensity score matching (PSM) method (DCLG, 2017, pp. 23–24). Propensity score matching allows for comparing a treatment group to other individuals who have comparable characteristics but did not participate. In comparison to other matching methods, PSM uses a single (propensity) score that encompasses multiple characteristics. This method thus helps simplify the matching procedure through a reduction of dimensionality 'instead of requiring a one-to-one match of each characteristic' (Peikes, Moreno, & Orzol, 2008, p. 222).

Impact bonds do indeed bring about a novel socio-technical infrastructure to gauge social value, which is 'connected to but ultimately distinct from financial value' (Guter-Sandu, 2018, p. 247; cf. section2.3). However, rather than merely rendering "uninvestable" organizations investment-ready' (Höchstädter & Scheck, 2014, p. 28), the mechanism also counteracts the 'warm glow effect' (Andreoni, 1990)—in other words, investing on emotional and self-gratifying impulse to feel good (cf. Crumpler & Grossman, 2008; Kappeler, Kirchschläger, Müller, & Wuffli, 2012). This form of 'hard facts' sets impact bonds apart from other forms of impact investing. For example, in a 2015 analysis of six high-profile RCT studies of microcredit initiatives, very few conclusive results on positive social outcomes could be found, and the authors diagnosed a 'lack of evidence of transformative effects on the average borrower' (Banerjee, Karlan, & Zinman, 2015, p. 3; cf. Mader, 2018, p. 471). Such findings emphasise that impact investing vehicles may indeed 'bear[] the risk of *feel good* rather than *do good* investing (. . .), similar to the phenomenon of green

[98]The comparison groups were taken from 2010–2012 rather than the same time period (2012–2014) which critically limits the conclusiveness of the evaluation. The DCLG (2017) explains this shortcoming in the report.

washing' (Weber & Duan, 2012, p. 171, emphases in the original). In contrast to other forms of impact investing, impact bonds measure social outcomes more rigorously through (quasi-)experimental methods (such as RCTs) and can claim that public institutions only compensate investors for their financial risk-taking if there is empirical evidence that the lives of the people in need have been improved—at least according to the agreed-upon reference points and the data collection methods used. The results thus measured are not only used symbolically for external reporting, justification, and claims of moral legitimacy—any payment is contingent upon the 'evidence'.[99] Thus, financial actors impose upon themselves a comparably high standard of rigour. Private pre-financing is combined with experimental methods, so that investors can only recoup their investments if there is a counterfactual that allow for isolating the causal effects of projects.

By thus aligning social and financial incentives, the pay-for-success logic almost articulates a 'responsibility to profit' (Andreu, 2018, p. 720), since investors only earn returns if service users are demonstrably better off. According to this logic, maximising financial returns to capital inevitably (and evidently) also means greater positive social impact. Financial returns appear to be legitimate since they are (in a Rawlsian sense) to the greatest benefit of the least advantaged—and the schemes can prove it by pointing at both the results and their adaptive framework of service delivery.

I typify this mode under the rubric of 'factivist finance', whereby investment is re-described in benevolent terms, and the disbursement of payments is made contingent upon empirical evidence that social outcomes for people in need have been positively changed. A mash-up of 'fact' and 'activism', the neologism 'factivism' was introduced

[99] In the case of the London Homelessness SIB, payments to investors were predominantly not contingent upon the results. The payments from the GLA to the service provider organisations, however, relied on the measured outcomes (cf. Section 5.1.

by Bono, the vocalist of the rock band U2, in a 2013 TED talk (Bono, 2013).[100] My typification builds from Mitchell (2017a), who analysed 'the discourse of "factivism" as an example of a new configuration of humanitarian reason' (p. 123).[101] As I have outlined, such 'factivist finance' reveals a results-oriented, technocratic culture geared towards financing and managing experiments to find new ways of tackling complex social problems at the local level (rather than just alleviating suffering). This particular 'problem-space' (Collier, 2009, p. 90) not only connects financial rationalities to statistics, and performance management—it also emerges as an instrument of public policy and international aid. This setup goes beyond the mere adoption of financial tools and logics in the pursuit of philanthropic and statecraft objectives. In what follows, I take a closer look at the implications the model has in policy contexts.

Policy Implications of Pay-for-Success Financing

Initial experiments with PbR in the UK were already conducted in 2003 in the NHS and at a later stage in the DWP's 'Work Programme' (as I mentioned in Section 4.1). The central characteristic of such PbR schemes is that the payments for the provision of social services are conditional upon the achieved outcomes (i.e. a certain success rate) rather than outputs (e.g. 400 beneficiaries served). As such, PbR is often said to challenge 'the output "target culture" associated with the NPM' (Fraser et al., 2018, p. 10) through a focus on 'what works' (Deering, 2014). The impact bond idea extended this mechanism by shifting the financial non-performance risks onto investors (Griffiths & Meinicke, 2014), in contrast to *direct* PbR contracts (where the burden and financial risk is placed on the service provider or commissioner).[102]

[100]The same Bono also recently co-founded a company to measure the effects of impact investments, emphasising that '[i]f capitalism is to be a force for good we have to be able to measure when it's doing good and when it's doing harm, (. . .) [w]e need cold hard facts' (cited in S. Clark, 2019, para. 4; cf. Schäfer & Höchstötter, 2015, p. v).

[101]Mitchell (2017a) touches upon the issue of impact bonds, and impact investing more broadly, but does not discuss them in terms of financial aspects, but the conflation of compassion and quantification.

[102]Note that this principle of shifting financial risk was only partly realised in the case of the London Homelessness SIB, as discussed in Section 5.1.

This has lines of affinity with the calls for quantitative results-based governance of aid initiatives, which have increased in the wake of the 2008 financial crisis and put the emphasis on 'value for money' (Best, 2014, ch. 8). As Section 4.4 highlighted, the call for DFID's Girls' Education Challenge (which led to the design of what would later become the Educate Girls DIB) tellingly included both an emphasis on DFID's 'Value for Money' approach as well as the PbR (and DIB) concept.

To measure outcomes and legitimately claim the creation of public and social 'value', both performance management and (retrospective) evaluation became more sophisticated, seeking to embrace the complexity of measuring social outcomes. As I outlined above, this ties in with the calls for RCTs and other (quasi-)experimental methods articulated through networks of development economists (Wykstra, 2018), increasingly along with philanthropists who adopt a broadly consequential approach to philanthropy. For instance, 'effective altruism' is a movement that seeks to donate money to the best-performing development and aid organisations (Gabriel & McElwee, 2019).

Factivist finance connects these practices to rationalities of evidence-based policy and financial risk taking, facilitating 'testing grounds' to try out new, innovative approaches that would otherwise not be eligible for direct public funding. Albeit still heavily subsidised by the public purse (cf. Section 4.2), the impact bond is believed to become a long-term option for dealing economically with limited resources: either it is shown that social impact is created or else impact investors pay the bill. As Tan et al. (2015) note, '[i]n many ways the focus on outcome measurement may be seen to unite both champions and critics of SIBs, and function as its major strength in policy terms' (p. 19).

There is a burgeoning literature on the ways in which public institutions increasingly use financial tools—and work with financial actors—to pursue statecraft objectives

(Christophers, 2017; Deruytter & Möller, forthcoming; Lagna, 2016).[103] In a similar vein, it has been shown how donor agencies increasingly deepen and accelerate financialisation under the banner of 'international development' by working with financial actors and by de-risking private sector investments to unlock large-scale investments 'beyond aid' (Kharas, Makino, & Jung, 2011; Janus, Klingebiel, & Paulo, 2015).

While factivist finance indeed speaks to both of these wider literatures, it reveals a very particular case of financialisation. Beyond the utilisation of financial tools and logic, factivist finance is connected to wider discourses of finding evidence of 'what works' in tackling complex social problems and how the quest for solutions to these problems should be funded, overseen and administrated. Measuring and reporting changes in the knowledge, wellbeing, behaviour, and circumstances of individuals not only triggers payments but is hard-wired into the everyday operation of such interventions, creating a particular logic of the everyday. Below, I examine the everyday operation of the outcome-oriented structure that determines the operation of impact bonds.

5.3 A Particular Logic of the Everyday

To furnish evidence of positive social effects, impact bonds enact a particular logic of the everyday through data-driven performance management systems. As the chief executive of Thames Reach put it, impact bonds are 'much more geared around making change and very, very focused around some very practical outcomes that were essential in our view for changing people's lives' than more orthodox grant-funding schemes.[104] The impact bond narrative holds that instead of discovering that a project's

[103] For instance, Lagna (2016) analyses the derivatives-based strategies of the Italian government during the period of 1993–1999, Deruytter and Möller (forthcoming) discuss how 'municipal debt management' increasingly links the work of city halls to financial markets, and Christophers (2017) studies how the UK state increasingly uses public land as a form of financial asset.

[104] Author's personal interview with Jeremy Swain (Chief Executive at Thames Reach), 2 October 2017.

actions have had no (or negative) effects on people's lives at its end, continuous data collection, reporting, and data-driven performance management allow for tackling issues head-on and taking corrective actions. This outcome-oriented culture infiltrates the operation of social interventions at the subject level. Social workers need to collect data on a daily basis, and their managers need to steer interventions based on that data. Numerical output is also the basis for meetings and discussion with investors, outcome funders, and intermediaries.

Data Collection and Analysis

The outcome-oriented structure I have so far discussed in this chapter organises non-profit work, public-sector commissioning, investing, and grant-making around the improvement of a specific set of social outcomes. This results-oriented structure determines the operation of these interventions A manager of one of the London Homelessness SIB's navigator teams explained the main difference between the SIB and other projects as follows:[105]

> our team meetings had a very clear agenda and (. . .) it was just focused, it was quiet business-like in a sense (. . .) our team meetings very much focused on targets. So we would have our forecasting sheet in front of us to show us how many clients we needed to get into accommodation in each month to achieve our quarters.

Navigators had to track information about rough sleepers in the CHAIN database as well as update the database themselves. Moreover, they had to collect tenancy agreements and similar documents, evidence of people's returns to their home countries (for the assessment of the contested reconnection target), obtain service users' payslips if they worked, or obtain confirmation of volunteer work (among other tasks).

[105] Author's personal interview with Kathleen Sims (Service Development Manager at St Mungo's), 5 September 2017.

Technology systems play a crucial role in enabling this type of outcome culture. In the case of Ways to Wellness, upon completion of the wellbeing assessments, link workers have to record the results in a dedicated MIS. This system allows them to enter a new referral and from that referral they can then log the Wellbeing Star assessments, every contact they have with the patient, and every attempt to contact the patient. The system also signals when the next Wellbeing Star assessment is due and issues reports for the link workers so they can plan ahead.[106] As Drinkwater elucidated:[107]

> I think the link workers, as ever, resent having to spend time entering data [laughs], they like seeing clients, they don't like entering data—so we tried to make that as simple as possible for them.

Educate Girls also made very pronounced use of technology. For instance, they equipped staff with a mobile handset that had a tracking application. The application traced volunteers' movements and registered the location and time via GPS. Moreover, the application was used 'to register village & school level information like number of girls & boys, school infrastructure, number of teachers, education quality and other information mentioned in the School Assessment Chart' (World Bank Group, 2017, p. 14). The application was integrated with a dedicated performance-management system that collected, aggregated, and monitored programme activities in the field and provided a dashboard to study progress as well as roadblocks (Educate Girls, 2018, p. 11). This also meant that the NGO had to find individuals for the projects who had the appropriate skill sets and experience. As Alison Bukhari, UK Director of Educate Girls, explained (cited in Katsomitros, 2018, para. 2):

> It took time to fully explain the DIB concept to the whole team and align them around the new way of working. We had to hire people with

[106] Author's personal interview with Ways to Wellness staff member, 1 August 2017; Author's personal interview with Chris Drinkwater (Chair and Trustee Chair of Ways to Wellness), 20 September 2017; the MIS generates performance reports on Wellbeing Star improvements as well as reports on the ethnic and gender splits (if patients agree to disclosed the information)

[107] Author's personal interview with Chris Drinkwater (Chair and Trustee Chair of Ways to Wellness), 20 September 2017.

> different skills, as well as train and give regular ongoing professional development to bring the teams up to speed, particularly in terms of the data analysis.

As this delineation makes plain, such programmes do not simply financialise existing operations but also require different skills that have not historically been needed in those organisations and are not always readily available. The implementation of impact bonds goes beyond simply measuring the work that would have been carried out anyway, infiltrating everyday social work on a structural level and also in terms of hiring procedures and professional formation.

This different way of 'doing things' is not limited to nonprofit and voluntary organisations but also affects the ultimate outcome funders (i.e. public institutions or charitable foundations) in that the focus on data-driven performance management requires them to adapt to a different way of contracting and commissioning. The auditing of the outcomes was performed by a GLA employee, who assessed the status of the rough sleepers in the CHAIN database or reviewed documents such as tenancy agreements. Based on the data, a different form of commissioning was performed—'outcome-based commissioning' (cf. Government Outcomes Lab, 2017). As Jonathan Qureshi (Senior Project Officer at the GLA) put on record:

> 'It's more than just the PbR, it's having that good relationship (. . .) when we're talking about evidence that the service providers have uploaded we ask them: "can you tell us a bit about your exit strategy for Bob because we know that you've put him into this place and we know he needs serious mental health support". (. . .) But also, there's a lot of admin (. . .) It's a nightmare, it hurts your head, it's a lot of work. (. . .) There is that admin side which is (. . .) a bit boring as well, you know, you're just checking

> [data], it's not fun work—thinking you're really helping people sleeping rough, and you [just] do your ongoing contract monitoring.'[108]

This illustrates the ways in which, beyond the mobilisation of private monetary capital, the impact bond structure gives rise to a different way of commissioning such projects that relies on data verification and interpretation activities. The focus on numerical output creates a (contemplative) distance between the everyday realities of the homeless or out-of-school girls and the actors who analyse outcomes on a screen. Yet, the outcome-oriented structure and culture of impact bonds does not only change operations at the level of service providers and outcome funders but also assumes a different role of investors, which I discuss in the next section.

The Role of the Factivist Investor

As the Center for Global Development & Social Finance (2013b) put it, '[t]he investors are not passive sources of money: they have skin in the game, and so have reason to pursue innovation and excellence to drive better results' (p. 6; cf. Schinckus, 2017, p. 731). Impact bonds assume a rather active role of investor subjects that get involved not only in the design and contracting of interventions but also in steering and managing them. As Mason et al. (2017b, p. 80, emphasis added) emphasise with regard to the London Homelessness SIB:

> Social investors' key role in working with the two provider organisations was in *overseeing the performance management* of the SIB contract. For those investing in St Mungo's, this was a more active role through the structure of the SPV. Results were reported to them on an initial monthly and then quarterly basis. There was active and ongoing review and collective discussion with St Mungo's of performance. (. . .) For those investing in Thames Reach, one investor had a place as an observer

[108] Author's personal interview with Jonathan Qureshi (Senior Project Officer at the GLA), 4 September 2017.

> on the organisation's Board. This provided greater certainty for the other investor about the performance management of the SIB.

The role of investors is thus not just seen as providers of capital, their role also consists in supporting and challenging service provider staff to deliver better outcomes. In contrast to other forms of impact investing (such as SRI or microcredits) investors meet with the service providers on a regularly basis, discuss complex social problems, and also offer advice and 'out-of-the-box' solutions in response to problems that occur on the programmes. One of the investors of the London Homelessness SIB said about the board meetings that service providers would:[109]

> present figures to us for how things were going, we would look at that versus expectations, we would discuss the issues that had arisen, come up with questions, ideas for things that could change both in terms of information, but also in terms of how the service was operating.

Thus, impact bonds not only give rise to a particular 'ethos about the way money is used' (Nicholls & Pharoah, 2008, p. 2), they also outline an interesting role for investors and a particular form of investor agency. Similar to practices of venture capital investment, investor subjects also need to provide time and expertise if projects struggle to meet their targets (cf. Shachmurove, 2014). As Chris Drinkwater explained:[110]

> Bridges sit on our board and on an operational management group—they have two representatives. We meet with them on a regular basis, at least twice a month. (. . .) They are very different from NHS contractors in [that] they drive fairly hard in terms of the outcomes on the referrals and for me I think this has been an enormous learning experience in terms of rigour around contract management.

[109] Author's phone interview with Russ Bubley (founder of 'i for change'; investor) 20 November, 2017.

[110] Author's personal interview with Ways to Wellness staff member, 1 August 2017.

The emerging subject of the factivist investor is one that that seeks ‘hybrid deals’ (p. 76), for whom do-gooding and financial returns are commutated, where achieving greater social impact maximises financial returns to capital. As I highlighted in Section 4.2, Bridges’ Social Impact Bond fund includes investments from Deutsche Bank but also the Great Manchester Pension Fund or the Merseyside Pension Fund—investors that demand not only social, but financial return from the fund.

Similar to ‘activist investors’ (Engelen, Konings, & Fernandez, 2008), the facitivist investor is represented on the board of the impact bond delivery vehicle, attends meetings, and influences the programmes’ priorities and strategies.[111] This role is even more pronounced in the case of UBS Optimus Foundation which facilitated the creation of the DIB as a ‘proof of concept’ to emphasise ‘the role of the private sector in bridging the funding gap to achieve the Sustainable Development Goals’ (Gustafsson-Wright & Boggild-Jones, 2017, para. 4). Although the role of conducting performance management was taken on by Instiglio, the foundation was closely involved. While investors and intermediaries support and challenge service providers, it can also get very uncomfortable for the latter if they fall behind their targets. Investors and intermediaries sometimes do not only encourage but compel service providers ‘to perform to profile’ (Edmiston & Nicholls, 2018, p. 73) and as Bridges Ventures (2014) emphasise in a report, investors may even go one step further and ‘replace service providers altogether’ (p. 24).[112] Such hard-nosed practices are always justified with both a concern for the people in need and the financial performance.

[111] Activist investors are entities such as hedge funds, private equity funds or sovereign wealth funds that purchase a larger number of public companies’ shares in order to obtain seats on a firm’s board and influence the strategy in a certain way.

[112] In the case of Ways to Wellness, two of the four service provider organisations pulled out in the first three years. The organisations Changing Lives and HealthWORKS Newcastle struggled financially, since they were not receiving enough referred patients. As Chris Drinkwater explained, ‘whether that’s in the control of [GP] practices or in the control of the provider is always difficult to ascertain’. Either way, it meant that they were not doing well financially and had to pull out (Greater Manchester Public Health Network, 2016, pp. 22–24).[113]

The novel managerial perspectives that I observed in this space describe a very particular kind of knowledge about situations characterised by precariousness, namely the idea that a strict results culture allows for solving complex social issues. Beyond trying to change the lives and destinies of people who have been relegated to the fringes of society, impact bonds also re-image the non-profit sector as based on notions of performance management. Actors in factivist finance get their hands 'dirty'; they help set up complex contractual, project steering and impact measurement structures; they are involved in designing social interventions and metrics; help write invitations to tender; attend board meetings to discuss how impact can be improved—and confront service providers if they fail to perform to profile.

5.4 Concluding Remarks

In this chapter, I have examined the intervention models and impact metrics in the context of three different case study projects. Although these projects revealed very different conditions and structures, I delineated a specific mode of reasoning that contextualises them, almost like a 'net' that is hung between the different elements. Through abstraction and simplification, impact bonds bring a range of heterogeneous problems and objects into a particular frame of calculation which is at once financial and ethical, and also provides a novel repertoire for action both at the level of policy making and charitable foundations.

Rather than attributing this mode of reasoning to a defined set of formal features of impact bonds, various interviewees have emphasised that the impact bonds are more of a certain 'mindset'.[114] As this chapter illustrates, this mindset revolves around the creation of social value through 'program activities that are substantiated through field experiments, especially randomized controlled trials, which show lower

[114] Author's personal interview with Chih Hoong Sin (Director of Innovation and Social Investment at OPM Group), 6 September 2017 and Nick Henry (Professor of Economic Geography and SIB Evaluator), 27 September 2017; see also Williams (2019, p. 12).

cost while producing superior outcomes, over predecessors' (Stoesz, 2014, p. 181). Impact bonds' focus on 'facts' and 'empirical evidence' reveals a very particular kind of knowledge about situations characterised by precariousness, or the idea that the truth can be found in numbers. The idea behind such an aspirational impetus is to either maximise social outcomes for the homeless or minimise costs for the public purse. The schemes were seen by many as a testing ground where actors could 'try out new approaches and demonstrate the benefits of early and preventative intervention in complex areas' (Ronicle, 2015, para. 5). Rather than just creating another instance of 'doing well while doing good' (cf. Hamilton, Jo, & Statman, 1993), social actors foreground a capitalism that can work in the 'goldilocks zone' of normative and practical appeal and improve ways of social service provision.

As my case studies show, this affects the operation of social interventions at the level of welfare workers and volunteers who have to spend more time on data collection and reporting, meetings with investors to discuss results etc. To continuously generate numerical output, the schemes rely on sophisticated IT systems to track, manage, and report data. Moreover, the schemes reveal a very particular kind of investor involvement. Investors are not just seen as a passive source of money; their role also consists of supporting, challenging, and even replacing, service provider organisations to deliver better outcomes. Thus, ethical investors in this space not simply choose certain investment opportunities and compile an ethical investment portfolio. Impact bonds assume a rather active role of financial actors to attend project board meetings, discuss complex social problems, and also provide advice in response to problems that occur on the projects.

Having outlined the mode of reasoning observed in relation to these different impact bond projects, the subsequent chapter will cover various conceptual and political ambiguities of factivist finance, illustrating the peculiarities of transforming complex social issues into stable metrics.

6. The Perpetuation of Testing

In Chapter 5, I analysed how impact bonds are emblematic of the rise of a seemingly scientific approach to 'do-gooding'. I argued that this version of ethical finance seeks to bring a greater measure of objectivity to the operation of social services. Having outlined how the call for rigorous evidence mobilises financial actors, welfare workers, and commissioners, I make a number of interventions in this chapter to emphasise the conceptual and political ambiguity of impact bonds. In brief, I illustrate that the 'cold hard facts', based on which actors seek to maximise blended value, is much more complex and provisional than suggested. It incites efforts to protect the interventions from too much external scrutiny, and too much politicisation, on various levels. Moreover, I problematise the experimental nature of impact bonds by arguing that they are ultimately not geared towards finding out 'what works' in addressing complex social issues: 'successful' interventions are never integrated into public provision (or traditional charitable funding), although it was demonstrated that the tested approaches 'work'. Instead, the approaches are again contracted as impact bonds and 'testing', and the financial risk-taking associated with it, is perpetuated.

As the case study projects demonstrate, the data on which the schemes rely is much more complex and provisional than suggested. In the run-up to an impact bond project, there is always a negotiation process between commissioners, investors, service providers, and intermediaries about the outcome metrics to be used. As a result of such negotiations, impact bond metrics often come in the form of data that is easy to collect and stands as 'proxy' for genuine social outcomes. The negotiation processes need to be showcased and problematised, as they lay the foundation for the ensuing data collection activities which are later used to judge 'success' and, in turn, trigger payments.

Moreover, measuring changes in the behaviour and circumstances of service users entails an array of practical implementation problems. For instance, sometimes the 'evidences' (e.g. in the form of patient data sets) are not made available to the projects or sometimes service users just discontinue participation in a programme (and it cannot be verified what effects the programme had on them). In addition, measurement bears the risk of statistically demonstrating that an impact bond-financed intervention is not improving people's lives. Due to the numerical output created, such demonstrated failure is difficult to explain away—which puts public sector commissioners in a bad light and potentially discourages future investors. The transformation of social outcomes into 'stable' numbers and charts is thus manifestly vulnerable and can, in itself, often not cope with critical interrogation. I argue that the schemes therefore incite strategies to protect impact bonds from external scrutiny, or to carefully manage any such scrutiny. Such strategies, for instance, consist in lowering the evidencing requirements during service provision, awarding contracts to service provider organisations that had already been part of the consultation prior to the tendering process, or carefully orchestrating the production and circulation of evaluation reports, made available at the right time to the appropriate audiences. I argue that more data and reporting mechanisms do not necessarily, and certainly not automatically, lead to greater (external) transparency. Rather, a great amount of work goes into preserving the idea that the truth about precarious situations can be found in numbers, and into demonstrating 'improvement' thus conceived.

The second issue that I highlight in this chapter, is the experimental nature of these programmes. The prioritisation of measurable outcomes (rather than prescribed processes) is said to allow third-sector providers the flexibility to work in non-prescribed, innovative ways that would otherwise not be eligible for direct public funding, which tends to be risk-averse. Thus, 'social investors are supposed to take on some, or all, of the performance risk associated with experimental service interventions' (Edmiston & Nicholls, 2018, p. 60; cf. Fraser et al., 2018, p. 10). By taking over that role, financial actors are believed to open a space for innovation and service experimentation as public institutions allegedly 'struggled to support or encourage innovation in the social arena' (Dear et al., 2016, p. 12; cf. Cooper et al., 2016). But my case studies suggest that even if impact bonds manage to demonstrate success (according to the outcome metrics used), they are terminated and not integrated into public provision (or traditional charity). Rather, the projects are succeeded by a new impact bond-financed 'experiment' that tests a practically identical intervention. Overall, I would argue this refutes the 'testing ground argument', in other words, the idea that one needs private financing to try out and experiment with new preventative approaches that entail considerable non-performance risks (cf. Ronicle, 2015).

Impact bonds are performative of a new mode of subjectivity that is not so much predicated on finding out 'what works' (Deering, 2014) through experimentation. Rather, factivist investors, and accompanying advisory organisations, are authorised by virtue of their practices of due diligence, data-driven project management and disciplining of service providers—as this is taken to be to the greatest benefit of underserved populations. It is the ultimate realisation of blended value: the more profit, the more health, education, and basic welfare improvements. Only a complex interplay between investors, social service providers, civil servants (and oftentimes advisors) is believed to bring about the degree of rigour and focus needed to effectively tackle social issues (rather than just alleviate suffering). The perpetuation of testing is not geared towards finding out what works, but to how the good can be, demonstrably, maximised.

I make this argument in two steps. In the first section I evince the instability of impact bonds' frames of calculation. I argue that measuring outcomes is much more complex and provisional than suggested and incites 'anti-political' efforts to suppress external scrutiny and contestation. So in many respects, the claim of greater transparency and the pursuit of blended value are becoming increasingly symbolic. In the second section I problematise the experimental nature of impact bonds by arguing that successfully completed experiments do not lead to public provision (or traditional charitable funding), but to the implementation of additional impact bonds. So, rather than being a testing ground for novel intervention approaches, impact bonds re-imagine the commissioning of social and development interventions as based on 'evidence' and outsourced financial risk (although it is known that approaches are successful according to outcomes measurement). In the concluding section I restate the argument and raise more fundamental questions about de-politicisation and ethical agency, which I will turn to in the next chapter.

6.1 The Politics of Outcome Targets

According to the project information released, the projects were all overtly successful. At the end of the London Homelessness SIB, half of the service users were in accommodation and 22% had sustained a tenancy for at least 18 months (Mason et al., 2017b, pp. 26–28). Although both sub-programs failed to meet all the agreed-upon outcome targets, the SIB achieved 79% of the amount that would have been paid had all the targets been achieved.(Mason et al., 2017b, pp. 26–37). Staff from service providers and investors put on record that they were satisfied with the overall social and financial overall performance (Mason et al., 2017b, pp. 14–15). As a navigator who had worked on one of the projects pointed out, ‘I think it has had a really positive effect on the clients. It gave them options that they wouldn’t have had, and choice’.[115] The DCLG published a final impact evaluation which emphasised that ‘a significant positive impact is still possible even when targets are not met’ (DCLG, 2017, p. 34).[116]

The Educate Girls DIB surpassed both of its outcome targets. Instead of the targeted 662 out-of-school girls, the programme managed to enrol 768 girls in school, which amounts to an achievement rate of 116%. The learning targets were (over)achieved by 160%, with learning levels growing 79% more than those of peers in other schools in the final year. As Saldinger (2018) notes, the ‘Educate Girls DIB had not been on track to meet the bond’s goals, but made such progress in year three that it managed to significantly exceed them’ (para. 3). These results triggered a three-year 15% internal rate of return (IRR) payout for UBS Optimus, which amounts to a striking 52% return on the investment overall. Specifically, UBS Optimus invested $270,000 upfront. Children’s Investment Fund Foundation paid UBS Optimus $420,000. From the resulting $150,000, UBS Optimus gave the NGO $50,000 which was agreed as an incentive for the NGO from the start. Obviously this figure does not include the

[115] Author’s interview with Michael Buckley (Manager at Thames Reach and former Navigator), October 10, 2017.

[116] As elucidated in Section 5.3, this final evaluation used PSM to compare the target group to another group of rough sleepers who did not benefit from the intervention.

setup costs of the DIB, which would normally be borne by investors, and which were about three times as high as the amount Educate Girls spent on the implementation of the programme. These figures are meant to look good, as a showcase project in the development space.

The jury is still out on the Ways to Wellness project, but the interim results are promising. According to these results, the programme supported 3,400 patients (out of 4,500 referrals) between April 2015 and April 2018 (Government Outcomes Lab, 2018c). Of those 3,400 persons, almost 2,000 had been in the programme for six months or longer and had an average improvement on the Wellbeing Star assessment of 3.3 points. The target was 1.5 points and the score thus points to overtly positive interim results. The three top areas of improvement were: (i) 'lifestyle', (ii) 'work, volunteering and other activities', and (iii) 'feeling positive'. With regard to the reduction of secondary care costs (for which payments only started to become effective as of autumn 2017), the data indicated an 11% reduction of secondary care costs relative to the comparison group in April 2018 (which is well below the target of 22%). However, according to the organisation's 2018 annual report, it was 'above target in achievement of both outcomes in 2017/18' (Ways To Wellness Foundation, 2018, p. 3).

In all of the three case study projects, there was a rather long development phase during which the different stakeholder groups debated various approaches to measurement and had toreach an agreement on projects goals that are socially and economically desirable, measurable, and also attainable for service providers. The London Homelessness SIB went through a stage of preliminary analysis during which the DCLG discussed the proposed intervention and possible metrics with different stakeholder groups in the homelessness sector. Informal consultations with a range of stakeholders working on homelessness and rough sleeping were held to conceptualise the SIB. As Jeremy Swain, Chief Executive at Thames Reach, explained:[117]

> We've been talking with them and helping to shape the SIB for rough sleepers probably 18 months before it was actually released as an opportunity. That was good for us, because we were able to shape it. And then there came the time when it was getting too close to the commencement when, for reasons to do with procurement and commissioning, we could no longer be involved, otherwise it would have been seen to be giving us an unfair advantage. And it wasn't just Thames Reach involved in developing it, there were a number of homelessness organisations, probably eight or nine. So this was way back, probably 2010.

However, other stakeholders consulted 'did not support the commissioning of a SIB for homelessness and felt that the consultation presented "*a fait accompli*" rather than an opportunity to meaningfully shape the scheme' (Mason et al., 2017b, p. 19).

The various outcome targets that resulted from this consultation process put the emphasis on getting rough sleepers off the streets. This raises a fundamental question related to impact bonds' measurement activities. Actors often make sacrifices on the (scientific) 'rigour' of measurement practices. In-depth research into changes in the wellbeing, knowledge, behaviour, and circumstances of service users is complex, intricate, and very expensive. For this reason, the actors agreed on targets that allow for 'streamlined' data collection and that stand as 'proxy' for genuine, and long-term social outcomes (Gustafsson-Wright et al., 2015, p. 29; Albertson & Fox, 2018, p. 80; Lowe & Wilson, 2017, p. 988).

[117] Author's personal interview with Jeremy Swain (Chief Executive at Thames Reach), 2 October 2017.

For instance, actors agreed that it was important for rough sleepers to reduce their substance abuse as about a third of the target group had a substance misuse support need according to the CHAIN database (Mason et al., 2017b, p. 8). It is, however, very difficult to measure whether someone reduces substance abuse; therefore, the group went for outcomes around sustained accommodation as this signals that people are capable of successfully managing their issues.[118] But if a service user manages not to sleep rough, the effects of the impact bond on his or her substance abuse or mental health are very difficult to ascertain. The 'results' of such interventions can only be an approximation as there might be a gap between achieving the pre-defined goals and improving the wellbeing and personal circumstances of an individual.

Moreover, there are not-so-social elements that enter impact bonds' frame of calculation. A striking example is the 'reconnections' target, which was a very delicate metric. While such reconnections mainly comprised 'assisted voluntary repatriation' (DCLG, 2014, p. 1), they also included cases of administrative removal and deportation. According to the feasibility study conducted prior to the implementation, '[a]lthough not specified as project outcome, of critical importance for the SIB to be successful is the qualitative and quantitative improvements in reconnection and removal work of illegal immigrants' (p. 51). This recommendation was later transformed into an outcome target of the project, seeking to repatriate non-UK nationals without a right to reside in the UK, as well as individuals who had a right to remain but who agreed to return. As an investor put on record: [119]

> We, the investors, always had a very uneasy relationship with one of the outcomes which is around the one which is coyly termed 'reconnections'. (...) And for obvious reasons people were rather uncomfortable with that, you know, conceptually uncomfortable. But the charity and the investors

[118] Author's personal interview with Tim Gray (former advisor to the DCLG on homelessness), 14 September 2017.

[119] Author's phone interview with Russ Bubley (founder of 'i for change'; investor) 20 November, 2017.

> were aligned on the belief that this was not some outcome that should be striven to be achieved unless it was in the best interests of the person and you know that was agreed before we even invested, to be honest, that was something the GLA or the DCLG wanted, but it was not something that we wanted.

This illustrates how, albeit in consultation with various homelessness stakeholders, it was ultimately the DCLG and the GLA that defined the outcome targets, put a maximum price on them, and subsequently let the bidders compete to try and deliver the pre-defined outcomes as effectively as possible. Rather than being a result of investor interests, the 'reconnections' reflect the 'aim (. . .) to create (. . .) a really hostile environment for illegal migration' (Kirkup, 2012, para. 7), which the then Home Secretary Theresa May called for in May 2012 (the SIB was launched in November 2012).

In the case of Ways to Wellness, many different outcome metrics had been discussed but 'discounted for either being unmeasurable or not a direct or reliable proxy for the outcome sought' (Ronicle & Stanworth, 2015, p. 9). One of the key difficulties was to come up with metrics that reflect both, individual health improvements for patients and savings from reduced secondary care costs. As Ronicle and Stanworth (2015) note, '[t]he fragmentation of health commissioning means that some of the outcomes and benefits of the SIB (e.g. to primary care) are not being measured and paid for' (p. 1). As many interviewees stated, the schemes 'prioritised the metrics relevant to the system, not for the service users and professionals'.[120] In the run-up to the SIB, it was very difficult for the steering group to get the CCG on board. The main 'impact' from an NHS perspective could be seen in primary care cost savings (e.g. fewer GP appointments). However, as Bridges Ventures (2016, p. 4) note:

[120] Author's personal interview with Chih Hoong Sin (Director of Innovation and Social Investment at OPM Group), 6 September 2017, Ways to Wellness staff member, 1 August 2017, and Chris Drinkwater (Chair and Trustee Chair of Ways to Wellness), 20 September 2017.

> The NHS cannot easily fund this kind of community-based social care, which comes under the remit of local authorities; while local authorities have little incentive to invest in preventative health services when the financial benefits accrue elsewhere.

At the time the metrics were negotiated, GP contracts were the responsibility of NHS England and not the CCGs, so the latter could not benefit financially from a reduction in GP appointments, but could benefit from savings in secondary care costs.[121] Although the number of GP appointments would be an evident metric to understand the health effects of the service, the commissioning body in this case just did not have a financial incentive to look at GP appointments. The outcome target the group eventually agreed on was 'secondary care acute usage', which is obviously less directly related to the social prescribing activities of the programme. As an interviewee put it, 'in health, you're often trying to change (. . .) how patients are going to age and it might be decades from there that you're saving hospital costs; it may not be quite the right measurement'.[122]

The metrics of the Educate Girls DIB were less contested in the design phase (as they resulted from the proposal the NGO had already put together for the competition). However, the measurement method was subject to difficult discussions. The intermediary, Instiglio, had proposed outcomes and how they ought to be measured and evaluated. While the outcome payer, CIFF, and the investor, UBS Optimus, pushed for the rigorous 'gold standard', that is, an RCT, the service provider, Educate Girls, wanted to employ a more scalable measurement method. As Avnish Gungadurdoss, cofounder and managing director at Instiglio said, 'I thought it might not happen at that point' (cited in Saldinger, 2016, para. 18). Eventually, the stakeholders agreed to use an RCT with a large sample size 'given the scrutiny the bond would be under' (Saldinger, 2016, para. 19). While the intervention employed

[121] This division of responsibility has changed in the meantime (Welikala, 2015).

[122] Author's personal interview with Tara Case (Chief Executive at Ways to Wellness), 1 August 2017.

such a rigorous approach to measure school enrolment and learning outcomes, the children's wellbeing had not been assessed in the context of intervention. Given the caste and gender hierarchies that surround these children, it would have been important for the intervention to do so. As Emily Gustafsson-Wright critically remarked:

> I would like to have seen (. . .) some outcomes related to social-emotional development, so not just the Hindi and math and English. It would have been nice to see something about, sort of considering the whole child and social-emotional development (. . .). There are various kinds of assessments, that are either self-, or observational-, or teacher-based, and there are challenges with those, but I think (. . .) that's a more comprehensive view of child development, I think.

What I have been trying to evince with the examples above is that impact bonds' metrics are the consequence of negotiations, struggles, and certain contingent turns, and encompass different normative assumptions and priorities. My point is, simply, that the claim that impact bonds are only committed to cold hard facts is problematic as their 'research focus' is always the result of a negotiation process. This process is constituted by scientific knowledges, economic conditions, and actors with different social positions, material interests, and moral values. With reference to Collier (2009) I would argue that different forms of power operate simultaneously, reconfiguring existing mentalities and practices of government. The resulting outcome targets cannot be straightforwardly attributed to the knowledge of applied research in social work, social pedagogy, psychology or medicine. Rather, the metrics devised encompass a host of different rationalities and techniques.

Beyond the contingency of such goal-setting processes, outcomes measurement always entails practical implementation problems, for example, in the form-flawed baseline data to begin with, the non-availability of data, cohort members that simply ‘disappear’, or metrics that turn out to measure ‘the wrong thing’. In the next section, I take a closer look at the instability of outcomes measurement.

6.2 Fragile Measurement and Anti-Political Strategies

Beyond questions of how outcomes are defined, the case study projects also revealed an array of practical problems related to data collection and reporting. In the case of the London Homelessness SIB, some service users occasionally slept rough whilst in accommodation. Some of them met friends on the other side of London and just slept rough for one night when it seemed too much effort to go home late at night.[123] Others slept rough because they were looking after a friend on the streets who was ill. Again others would just spend a night outside on a summer night. This posed a problem to actors, since the achievement of outcomes was measured based on the ‘bedded down street contacts’ in each quarter recorded in the CHAIN database. Agencies would register rough sleepers in the system if they had been seen sleeping rough. For some of those individuals the provider could not claim payments although they were, technically, housed. (Mason et al., 2017b, pp. 38, 42).

Navigators also struggled to collect the necessary information to evidence the ‘reconnections’. They gave mobile phones to clients and had to contact authorities and the clients’ relatives, so that they could confirm a successful return. But as the DCLG (2014) states in the first interim report about the London Homelessness SIB, ‘telephone calls can be expensive, as can text messages, and those reconnected rarely have access to email’ (p. 76). So in many cases, the providers could not claim payments because the evidence was missing. Eventually, the project board agreed to pay providers where there were problems to provide evidence of successful

[123] Author’s phone interview with Russ Bubley (founder of ‘i for change’; investor) 20 November, 2017.

reconnection: 'the evidencing requirements were changed during year one to enable providers to claim both outcomes, and receive payments, when sustained reconnection was evidenced via CHAIN' (Mason et al., 2017b, p. 59). Thus, the project ceased to have proof of a successful return to the home countries and connection with friends and families. It was sufficient for non-UK nationals just to disappear from the streets of London and not come back.

Another measurement-related issue for the London Homelessness SIB was that the NHS retracted a previous data-sharing agreement. The achievements for the 'better health management' target could therefore not be assessed at all. The proportion of A&E episodes was planned to be compared against a baseline, but since the NHS retracted a previous data-sharing agreement and withheld the respective data, the achievements of this outcome target could not be verified. As the DCLG (2015) emphasised, this posed 'a quandary to the Project Board and GLA and DCLG as commissioners' (p. 53). Eventually, the service providers were paid as if they had achieved the targets (based on their original projections), and in lieu of the data being available (Mason et al., 2017b, pp. 14, 29, 73).

Ways to Wellness had issues with the cohort size on which the metrics were based. It turned out there were not enough LTC patients living in the West of Newcastle to meet the targets over seven years. Although the patient population diagnosed with LTC is growing incrementally in the area, the SIB will not get access to all patients because, on the one hand, not all GP practices refer their patients to Ways to Wellness and, on the other hand, not all patients are willing to use the service.[124] This poses a problem for the service providers, who get paid based on the number of patients they support, and also for the investor (Bridges Fund Management).

[124] uthor's personal interview with Tara Case (Chief Executive at Ways to Wellness), 1 August 2017.

Moreover, some of the service provider organisations working for Ways to Wellness did not record the meetings and Wellbeing Star assessments in the MIS the project had implemented for this purpose. As Jo Curry, the Chief Executive of Changing Lives explained, many link workers did not follow up with patients in due course, log all the information etc., which resulted in a reduction of payments.[125] One of the reasons for this might have been the MIS which has been reported to be error-prone by link workers—in contrast to the investor Bridges Fund Management who speaks of a '[r]obust MIS system from Day 1' (Bridges Ventures, 2015, p. 8). In any case, failure to collect and enter Wellbeing Star-related data into the system was reported to have been an issue 'on the ground'.[126]

In the case of the Educate Girls DIB, there were also various measurement-related problems. As Saldinger (2018) points out, actors 'relied on problematic secondary data for the baseline surveys' (para. 38). The DIB started off with a target beneficiary number of 18,000, but then realised 'statistics were off by approximately 10 percent' (Gungadurdoss, 2016, para. 17) and the learning targets thus overly ambitious. The outcome targets and the pricing had to be renegotiated when actors discovered that the baseline data were unreliable. Moreover, as Emily Gustafsson-Wright, who has authored several analyses of the DIB, emphasises 'enrolment doesn't measure attendance (...) and if [service users] are not attending, they aren't learning, and to some extent the learning outcomes try to capture that'.[127] This is interesting, especially as certain students just disappeared, for instance because they moved away or declined participation later on. Although those individuals were recorded as part of the group, they had no final score. The students who had 'disappeared' were

[125] Author's personal interview with Jo Curry (Executive Director at Changing Lives), 21 September 2017.

[126] Author's personal interview with Matilda Harrison (Link Worker at Mental Health Concern), 21 September 2017 and Jo Curry (Executive Director at Changing Lives), 21 September 2017).

[127] Author's personal interview with Emily Gustafsson-Wright (Fellow at the Center for Universal Education, Brookings Institution), 13 October 2017.

simply excluded from the result analysis; the DIB simply excluded 4% of the enrolled students from the analysis. As Saldinger (2018, p. 30) explains:

> Students who could not be found, and therefore had no final or endline scores, were not included in the analysis, which raises some concerns about overestimating the impact. IDinsight acknowledged the risk and did the repeated home visits in an effort to mitigate that risk. The result was that 4 percent of students had no endline score, due largely to students moving or declining to participate.

I have argued that impact metrics are somewhat unstable, ambiguous even, and their performative lists of actions and expected outcomes is necessarily, and manifestly, vulnerable: baseline data is flawed, cohort members simply 'walk away', metrics turn out to measure 'the wrong thing' or even demonstrate that an intervention approach is 'not' working, etc. Thus, impact bonds' frameworks for attributing worth to 'the social' cannot, in themselves, cope with critical interrogation, which poses a problem to all the actors involved.

The preservation of the frames of impact measurement and performance reporting therefore incites what Andrew Barry (2002) refers to as 'anti-political work' (p. 280). When particular issues—for instance the gender gap in Indian education—are translated into domains of practices that are mediated by socio-technologically infrastructures (what Barry terms *metrological regimes*), actors always need to protect these domains from too much scrutiny. Barry (2002) argues that actors either need to make sure that the action does not provoke too much scrutiny in the first place or, if scrutiny occurs, it needs to be managed, channeled etc.

I would extend this notion and argue that it is not just metrics and measurement practices that need to be protected against too much scrutiny, it is factivist finance's mode of reasoning that is at stake. Although impact bonds emerge as a 'heterogeneous space' (Collier, 2009, p. 100), constituted through different forms of power, this space cannot defend itself against the interferences of political confrontation—it needs protection.

For instance, the London Homelessness SIB under-performed in various areas and struggled to meet respective pre-defined outcome targets. Its claims did not play out as predicted. This might be by virtue of the intransigent nature of social problems such as homelessness. The outcome targets for the reduction of unsheltered sleeping were largely not met. This points to the intransigent nature of entrenched rough sleeping and the fact that it may take more than three years to help people get off the streets—or to acknowledge that it might be virtually impossible for some of them to maintain an accommodation.

Many individuals in the cohort had comparatively high alcohol, drug and mental health needs, and sometimes made over £200 a day from street begging. As a navigator emphasised, 'it's very hard to stop someone'.[128] The bevy of final reports on the SIB included the DCLG's own 'impact evaluation', which departs from the outcome targets and instead focuses on the difference between the intervention and two 'well-matched' comparison groups from 2010 and 2011 which did not benefit from the SIB. The emphasis of the report lies on demonstrating that 'a significant positive impact is still possible even when targets are not met' (DCLG, 2017, p. 34). Thus, a positive message was sent—although the comparison groups were taken from 2010–2012 rather than from the same time period (2012–2014), which critically limits the conclusiveness of the evaluation.

[128] Author's personal interview with Michael Buckley (Manager and former Navigator at Thames Reach), 10 October 2017. While both service providers managed to reduce rough sleeping among the cohort, they missed the overall targets of the main outcome targets (which accounted for 90% of the funding allocated): reduction of rough sleeping, putting service users into stable accommodation[129], and the contested 'reconnection' target (Mason et al., 2017b).[130]

Instances of anti-political work can also be delineated in the case of Ways to Wellness. As the numbers for the savings in secondary care costs did not indicate a significant difference to the control group in summer 2017, investors sought to obtain more data from the NHS to identify other ways of demonstrating a positive impact.[131] Although the scheme was over-performing with regard to the Wellbeing Star targets, the care costs are the more relevant metric, as they account for 70% of the outcome payments (Ronicle & Stanworth, 2015, p. 4). As the Chair and Trustee Chair of Ways to Wellness confirmed, 'we are discussing it with the CCG in terms of adding savings in GP time, so it is certainly under discussion'.[132] This illustrates how actors—if the numbers reported do not meet the outcome targets despite all the performance management activities—can also try to 'jump' at a different metric to still arrive at positive numbers. Rather than being a testing ground for determining the causal effects of a social intervention, impact bonds seem to be about demonstrating 'some form of impact' if the numbers do not improve over time. Although factivist finance recombines heterogeneous elements and logics (i.e. it is not a structural logic of policy innovation), once it is 'made up' in this way, it needs to be protected in order for it to behave like the places, outcomes, and subjects described in policy. It is, quite simply, very complicated to measure social outcomes, and impact bonds' performative lists of interventions and expected social outcomes cannot, in themselves, cope with critical interrogation.

This point is further illustrated by the aspect that the impact bonds contracts were typically awarded to service provider organisations that had already been part of the consultation prior to the tendering process (cf. Section 6.3). They were organisations that already hat a seat at the top-table discussions about outcome-based commissioning and that commissioners and investors could trust. Moreover, much effort was put into

[131] Author's personal interview with Tara Case (Chief Executive at Ways to Wellness), 1 August 2017; see also Government Outcomes Lab (2018c).

[132] Author's personal interview with Chris Drinkwater (Chair and Trustee Chair of Ways to Wellness), 20 September 2017.

the careful orchestration of the production and circulation of project information in the context of all three projects. Reports were made available at the right time to the appropriate audiences. The emphasis on scientific rigour is very pronounced in all of these documents.

6.3 Performing Uncertainty: The Normalisation of Testing

The prioritisation of measurable outcomes (rather than prescribed processes) is said to allow third-sector providers the flexibility to work in innovative ways that would otherwise not be eligible for direct public funding, which tends to be risk-averse (Fraser et al., 2018). As Toby Eccles, one of Social Finance's founders emphasises in a blog post (Eccles, 2016, para. 3):

> The supposed profits that investors make, are compensation for the risk they take in paying for untested interventions and providing upfront capital to voluntary organisations. It is not about making money out of misery or commoditising individual distress.

The claim about pre-financing untested approaches has been made repeatedly in the context of the case study projects that I analyse. The navigator model employed by the London Homelessness SIB was said to be an innovative approach and a 'contrast to the way services would usually be organized with a range of different providers and staff' (Farr, 2016, p. 2016; DCLG, 2015). The same applies to the Ways to Wellness intervention which is portrayed as a 'truly innovative approach which would have been too risky without seed funding from social investment' (Ronicle & Stanworth, 2015, p. 1; Bridges Fund Management, 2015; Government Outcomes Lab, 2018c). The same argument has been made with regard to Educate Girls' approach (cf. Section 4.4).

The three intervention approaches, however, were by no means uncharted territory. When the Educate Girls DIB was launched, the service provider had already existed for seven years, enrolled over 100,000 out-of-school girls and improved educational outcomes for more than 390,000 children in India with similar approaches that were based on volunteers at the village level. For this work, the NGO already received the 2015 Award for Social Entrepreneurship from the Skoll Foundation (Educate Girls, 2015; Gustafsson-Wright & Gardiner, 2016, p. 19).[133] As Loraque (2018) clarifies, '[t]hey had run some randomized control trials and knew it was working, but not necessarily in all places or as best possible' (p. 68).

In the case of Ways to Wellness, there had also been forerunner interventions. For instance, the *West End Health Resource Centre* had already supported people with activities outside the GP surgery, 'to live healthier lives in terms of getting more exercise, eating better, drinking less alcohol, smoking less cigarettes'.[134] Reflecting such efforts to improve people's self-care and wellbeing through sustained lifestyle changes, proponents in the Northeast had also published a guide for commissioners, primary health care teams, and health/wellbeing boards in 2011. This guide contained a model to improve outcomes for people with long-term conditions 'by engaging with local non-traditional providers (e.g. charities, community organisations and social enterprises) to meet their needs' (NHS, 2011, p. 5). Thus, there had been a great deal of preliminary work and analysis that underpinned Ways to Wellness' social prescribing approach.

The London Homelessness SIB was designed to address a gap between the two existing initiatives *No Second Night Out* (which aimed to ensure new homeless individuals receive and immediate intervention) and *RS205* (which targeted long-term

[133] The Skoll Foundation is a leading organisation for social entrepreneurship founded by eBay's first president Jeffrey Skoll

[134] Author's personal interview with Chris Drinkwater (Chair and Trustee Chair of Ways to Wellness), 20 September 2017.

entrenched rough sleepers) (Mason et al., 2017b, pp. 3, 9). Thus, while the navigator model (and the freedoms around the usage of funds) was new, there had been similar forerunner interventions and the service providers already knew the prospective service users. As a Service Development Manager at St Mungo's pointed out, 'out of the list of 415 names I personally knew at least 200 of these people; so we weren't here to sort of parachute in.'.[135]

It is not clear how 'untested' the intervention models of the three impact bonds were A similar observation is made by Gardiner and Gustafsson-Wright (2015) who argues, based on a systematic literature review and over 70 interviews, 'that very few of the programs financed by SIBs were truly innovative in that they had never been tested before, but that many were innovative in that they applied interventions in new settings or in new combinations' (para. 12). Beyond questions about their capacity to enhance innovation, it is interesting to see what happens once an impact bond is successfully completed. The notion of the 'testing ground' suggests that once actors understand how effective a given intervention is, this models could be integrated into public provision and scaled up. Again quoting Gustafsson-Wright, Atinc, and Gardiner (2016) the findings of such field experiments could 'help effective social services reach scale by encouraging government to fund programs at scale after the impact bond is over or by improving data use and performance management in government-funded services broadly' (para. 5).

As the case study projects demonstrate, this is not necessarily the case. On the one hand, the interventions just 'stop' after the predefined term and such abrupt terminations can threaten the sustainability of particular outcomes. Former service users often feel 'abandoned' when an impact bond abruptly ends and would favour 'more of a transition period' (Edmiston & Nicholls, 2018, p. 72). In the case of

[135] Author's personal interview with Kathleen Sims (Service Development Manager at St Mungo's), 5 September 2017.

the London Homelessness SIB, some service users in the private rented sector were moved to hostels again (Mason et al., 2017b, pp. 82–83)—which was the exact opposite of what the impact bond sought to do (hostels are typically a first step *from* the street). Service users were also handed over to other existing homelessness services. As a Thames Reach navigator commented (Mason et al., 2017b, p. 56):

> Before the service has ended we have given clients back to other mainstream services and they haven't always been pleased about that. They don't want the load.

In the case of Educate Girls, it is not entirely clear what happened to the girls after the completion of the project. An Educate Girls representative put on record that the organisation is 'likely to continue working in Bhilwara doing "monitoring and troubleshooting"' (Chandrasekhar, n.d., para. 45). In the case of Ways to Wellness, the jury is still out as the completion year of the project is 2022. As Eccles (2018) emphasises, to date, none of the successfully tested and completed impact bonds have been directly continued—be it through private funding or an integration into statutory provision.[136] This is where the venture capital analogy arguably falls short. In contrast to successful private sector startup companies, which enter a growth stage and eventually a buyout/initial public offering, impact bonds are just discontinued, to the detriment of service users.

As my case studies revealed, however, programmes are often followed by a successor impact bond (at a later point in time) which essentially replicates the same intervention (with minor modification), targeting a different group. By way of

[136]As Eccles (2018) mentions, and as discussed in Section 4.2, this statement is at least contested with regard to the Peterborough SIB case. This programme was originally structured to have a duration of eight years, but was reduced to five years because the MoJ privatised the probation service through the 'Transforming Rehabilitation' programme which led to the 'disappearance' of both the third cohort and the control group (Deering & Feilzer, 2015; Nicholls & Tomkinson, 2015). According to some commentators, this proves the success of the programme (since it was mainstream before it even ended), yet for others, it means that the effects of the programme were just unknown (due to the early completion). While billed as the successor to the Peterborough SIB, 'Transforming Rehabilitation' actually shares rather few features with the SIB (Government Outcomes Lab, 2019c).

illustration, the London Homelessness SIB was followed by a project called 'Rough Sleeping Social Impact Bond' in late 2017, again delivered by Thames Reach and St Mungos over a period of 42 months (Government Outcomes Lab, 2018a; Thames Reach, 2018, p. 8).[137] As Thames Reach's Chief Executive pointed out, 'the second SIB is very similar to the first, but the metrics are slightly different, so there's a health metric and a wellbeing metric which is different to the one we had before, and it's a cohort of 175 different individuals, again long-term rough sleepers'[138] Moreover, the new SIB no longer included the highly controversial reconnection target.

The actors involved in Educate Girls had received positive feedback from the government of Rajasthan and hope that the scheme might be something that the government will consider as part of their education budget going forward (World Bank Group, 2017). Interestingly, these efforts were not geared towards providing the government with a model that can be integrated into a statutory provision, but to turn the DIB into a SIB (i.e. with the government acting as outcome funder). As Jared Lee, Principal at the Education Outcomes Fund emphasised (quoted in UBS Optimus Foundation, 2018b, p. 11):

> The DIB structure should facilitate government buy-in early on to ensure long term sustainability of interventions (DIBs transitioning to SIBs).

According to this logic, the ultimate goal of DIBs is for public institutions in low-income countries also to start commissioning SIBs (cf. Government Outcomes Lab, 2019b). A transition from financialised development aid to financialised social policy, so to speak. But although there seems to have been talks with the state

[137] Moreover, Thames Reach successfully bid for another SIB contract in London, along an organisation called 'Crisis', the so-called 'Single Homeless Prevention Service (SHPS)' in Brent. This scheme aims to provide support to adults who are at risk of becoming homeless by preventing them from being evicted and supporting them to find an apartment if they are not in stable accommodation (Government Outcomes Lab, 2018b).

[138] Author's personal interview with Jeremy Swain (Chief Executive at Thames Reach), 2 October 2017. Interestingly, the wellbeing metric mentioned is based on self-reported wellbeing according to the Warwick-Edinburgh Mental Wellbeing Scale (WEMWBS)—a tool that appears to be very similar to the Wellbeing Star assessment (cf. Tennant et al., 2007). Thus there is a certain degree of cross-fertilisation with regard to measurement techniques employed in the context of impact bonds.

government of Rajasthan after the remarkably successful completion of the first project, this transition could not (yet) be contrived.

Instead of a handing-over of the DIB model to Indian public institutions as a SIB, the Educate Girls DIB was followed by yet another DIB, the so-called 'Quality Education India DIB', which 'is building on the success of the first DIB in education, the Educate Girls DIB' (Government Outcomes Lab, 2019b, para. 14). This projects funds improved learning outcomes over four years for more than 300,000 primary school children in Delhi and Gujarat (Gustafsson-Wright & Boggild-Jones, 2018a). This programmes is supported by prominent development actors that 'are increasingly entering this space' (OECD, 2019, p. 182). The stakeholders in this new project, in addition to UBS Optimus Foundation, are the Michael & Susan Dell Foundation, Tata Trusts, Comic Relief, DFID, Prince Charles's British Asian Trust and British Telecom (Fahad, 2018).

The testing ground argument lends itself to the idea that impact bonds are about some form of *research* that requires financial risk-taking to identify new and innovative approaches that lead to better results. But while this argument still is a central narrative thread of impact bonds, the fact that successfully tested interventions just get recommissioned as impact bonds (or DIBs are transformed into SIBs) is somewhat obfuscated in the discourse. As Griffiths and Meinicke (2014, p. 38) point out:

> If the commissioner is very certain about the success of the programme, then the additional costs associated with the risk transfer may be hard to justify and the case for using a SIB may not be strong.

In a similar vein, one of the investors in the London Homelessness SIB pointed out:[139]

> Why would anyone ever re-commission a SIB? If it's worked why would you re-commission it on a results-basis? You know it works. It would be

[139] Author's phone interview with Russ Bubley (founder of *i for change*; investor) 20 November, 2017.

> cheaper for you to have a straight commission. If it hasn't worked—why bother? It's only for those few in the middle, that end up in that grey area (. . .) only there might it make sense to re-commission as a SIB. So they kind of contain the seeds of their own destruction.

The political problem seems to be that impact bonds do *not* contain the seeds of their own destruction—quite to the contrary. An important direct consequence of the London Homelessness SIB was the creation of the Fair Chances Fund (£15 million), a public funding initiative to support the scoping, design, and the operation of impact bonds 'so that these may be taken up more widely by central and local government' (Edmiston & Nicholls, 2018, p. 62). As a former DCLG Commissioner elucidated, 'the Fair Chances Fund we'd never have done if we hadn't done the London Homelessness SIB'.[140]

To my mind, this refutes the 'testing ground argument', i.e. that private financing is needed to try out and experiment with new preventative approaches that entail considerable performance risks that cannot be borne by the public purse. Rather than 'testing' new interventions, 'testing' arguably takes on a life of its own and gets perpetuated. It seems as if impact bonds are here to stay: a configuration of disparate practices, agents, calculative devices and subjects that informs the re-imagination of the social and development sector as based on notions of empirical evidence and 'cold hard facts'. Interestingly, in Bridges Ventures' public announcement of their second Social Outcomes Fund (which amounts to up to £35 million), Mila Lukic, Head of Social Outcomes Contracts, is quoted as follows (Bridges Fund Management, 2019, para. 7):

> The early 'social impact bonds' were used to test experimental new services on a relatively small scale. The new generation of social outcomes contracts are more about promoting greater flexibility and

[140] Author's personal interview with Tim Gray (former advisor to the DCLG on homelessness), 14 September 2017.

> innovation in the delivery of existing services, using a data-driven approach that helps us better understand how to improve outcomes at scale for some of the most vulnerable people in the country.

The focus of impact bonds is increasingly on ‘large-scale system change’ (Dear et al., 2016, p. 63)—understood as the provision of larger impact bonds that reach more service users. This also implies that the substantial design, measurement and governance costs of impact bonds can be better justified (as the interventions reach more people), and that the programmes thus become more profitable for investors (Fraser et al., 2018; Impact Bonds Working Group, 2019).

Rather than finding out ‘what works’ (Deering, 2014), the impact bond concept is shifting towards state-endorsed blended value creation. In view of the multiplicity of social needs, governments and charitable foundations seek to deal ‘economically’ with limited resources, i.e. maximise the social impact (with a given quantity of input resources) or minimise the cots for the public purse (so that governments can spend the money on interventions that effectively help people in need) (Kohli, Besharov, & Costa, 2012, p. 5). A former advisor to the DCLG explained:[141]

> A lot of public sector money is given to various groups who take the money and employ staff, but it doesn’t necessarily achieve very good outcomes (. . .), and nobody measures it properly. If we do something like the SIB then we know we’re only going to pay for achieved outcomes.

The role of investors in this setup does not so much consists in facilitating experiments and enhancing innovation, but in driving the maximisation of social outcomes (even if approaches are known to function). The impetus of such programmes is on ‘doing good better’ (cf. MacAskill, 2015). On behalf of public institutions and charitable foundations, factivist investors support, but also challenge and discipline nonprofit

[141] Author’s personal interview with Tim Gray (former advisor to the DCLG on homelessness), 14 September 2017.

and voluntary organisations to improve the lives and destinies of existences who have been relegated to the fringes of society. Overall, I would argue that it is this labour that factivist investors are compensated for: they drive the maximisation of social impact through practices of due diligence and data-driven performance management; state-endorsed blended value maximisation.

While the macroeconomic significance of impact bonds is (still) relatively small (cf. Section 4.2), the projects of factivist finance have significant discursive, political, and economic dimensions. Impact bonds open a new field for public action that combines the outsourcing of financial risks (cf. Burand, 2012, p. 467; Griffiths & Meinicke, 2014, p. 6) with (quasi-)experimental methods and performance management practices to improvement the lives of vulnerable populations. This calculative mode of reasoning is not divorced from ethics, but it circumscribes the 'place' of ethics, and what ethics requires, in a very particular way, changing the ways in which human agents conceive of what is a problem and what is feasible for them in finance as well as social and development policy. For instance, actors accept that it is essential to come up with a 'counterfactual' to justify public spending for social interventions. This is politically troubling as a counterfactual as it entails a particular (narrow) conception of a public that happily compensates investors as long as they can demonstrate that, compared to the status quo, interventions significantly improve the lives of people in need. Moreover, as Section 6.1 and Section 6.3 made plain, the reliance on numerical output might be a shortcut to judgment as the agreed-upon metrics are always the result of political negotiation processes, and the 'facts' thus measured are more provisional and fragile than commonly suggested. In Chapter 7 I will focus on 'counterfactuals', which always imply to exclude existences from the services to form a control group for demonstrating causal effects.

6.4 Concluding Remarks

According to Social Finance's board member David Robinson, "[c]hange happens in the collation and examination of hard facts" (cited in Social Finance, 2018, p. 49). In this chapter, I have mapped out various inconsistencies of the impact bond model. With reference to the three case study projects, I argued that measurement relies on proxies that stand for—but often fall short of—genuine social outcomes. Moreover, the socio-technical infrastructures of impact bonds might prioritise metrics that are relevant to the outcome funder rather than the service user. Beyond the definition of metrics, it is quite simply, *complicated* to measure changes in the lives and circumstances of service users. Against this backdrop, I have argued that in order for impact bonds to 'function' they not only need to meticulously measure social outcomes, they also need to be protected from too much external scrutiny. I have suggested that the operation of impact bonds thus goes against the claim for greater transparency (which was their point of departure).

In a second step, I have discussed the experimental nature of impact bonds and found that interventions that obtain impact bond funding are not integrated into public provision. What I have termed factivist investing in the previous chapter is thus not so much geared to experiments and testing, but to the perpetuation of an aspirational logic, according to which the right act in any given situation is the one that maximises social outcomes (however defined). In this arrangement, the factivist investor drives the maximisation of social impact through practices of due diligence and data-driven performance management.

Beyond the mobilisation of empirical facts and notions of 'pay-for-success', I now turn to the 'scope' of such programmes, that is, the idea that micro interventions at the local level can be effective responses to issues such as homelessness, LTCs or low levels of educational attainment. This aspect is closely connected to the framing of impact bonds as an objective funding instrument that is based on fact-based solutions to complex social issues.

7. The Politics of Life

I have argued that impact bonds are a topological space where an ethical approach to human life is combined with managerial and seemingly scientific practices. In the previous chapter, I foregrounded how the mechanism has shifted from an experimental to an aspirational logic that relies on the performance of objectivity. In this chapter, I take insights from the work of Didier Fassin, who problematises the politics of giving specific value and meaning to human life, to suggest that impact bonds are a topological space in one further respect: despite the focus on complex systems of impact measurement and 'facts', impact bonds' response to suffering is, ultimately, an affective one. By this I mean that the schemes all make a selection of (highly) vulnerable existences that are to be supported through an intervention, and existences that are excluded from it. Fassin explains that such politics does not only govern the life of populations (according to outcome targets in the case of impact bonds), but more importantly also involves 'making a selection of which existences it is possible or legitimate to save [as well as] producing public representations of the human beings to be defended' (Fassin, 2007, p. 501). By focusing on individuals and, say, their mental and/or physical illness or educational attainment, impact bonds direct attention to the *trope of suffering*, and away from the structural conditions that perpetuate inequality and poverty.

Despite the emphasis on scientific methods and objectivity, impact bonds thus reify the situations and needs of service users in terms of a condition of victimhood. They do not do so by means of emotionally compelling stories and images of socially distant others—the common discourse of humanitarian ethics (cf. Chouliaraki, 2013; Richey, 2018)—but by both a seemingly scientific definition of a vulnerable group and a focus on experimental methods to help the group. Despite impact bonds' rationalist and aspirational ethics of 'solving problems' (rather than just alleviating suffering), I argue that they ultimately combine a rational outcomes culture with an emotional response to things that are 'intolerable' in this world. As I show in this chapter, they also make one further distinction between the most destitute existences and the ones that can still be 'rescued' by welfare workers. Ultimately, impact bonds articulate an *emotional* response. So, evidence-based techniques and the performance of objectivity may well be a technology of power with an orienting telos, but they do not achieve complete determination. Given factivist finance's focus on sufferers, in combination with its performance of objectivity, does it simply stop the articulation of political solutions (and thereby paradoxically enhance political control)?

In the second part of this chapter, I will argue, again building from the notion of topological spaces, that impact bonds can simultaneously be both depoliticising and deeply political. Of course, actors might do certain things, without even realising it: investors might egotistically pursue 'good' impact investing, service providers might be mechanically guided by prescribed outcome targets etc. However, based on the case study projects I claim that the actors involved do not necessarily fail to reason about their broader circumstances (as profiteering or non-reflective instruments of capitalist interests). Throughout the interviews conducted, they seemed to recognise that the gender gap in Indian education, LTCs in England's most deprived wards and homelessness in London are not (primarily) technical or financial but *political* problems. Rather than engaging in debates about 'the welfare state', desert, entitlement, fairness, dignity etc. they take up existing elements—philanthropic funds, outsourced social service provision, (quasi-)experimental methods—and recombine them. Quoting Collier (2009), these are acts of 'thinking as an active response to historically situated problems' (p. 93). The actions of impact bonds undermine social inequities on the very grounds on which they are cast, articulating an immediate (if imperfect) response. I argue that instead of only reproducing the structural conditions that perpetuate inequality, impact bonds to some degree also *use* them to articulate alternative (if imperfect) responses. Impact bonds recalibrate the organisation of power relations by enabling 'the commissioning of services that would otherwise not be commissioned' (Edmiston & Nicholls, 2018, p. 72; cf. Ronicle et al., 2014, p. 35) with governments and foundations making subsidies available for the new and miraculous 'factivism' projects. As I have outlined in Chapter 5, impact bonds are framed as a 'unideological and technical response' (Sinclair et al., 2014, p. 122). Overall, I would argue that this might not only be a limitation but also a potential for bypassing an austere, dysfunctional state. Instead of addressing the structural conditions of poverty and inequality, what I termed factivist finance pragmatically undermines social inequities on the grounds on which they are cast, articulating an alternative (if imperfect) response. As Chapter 6 and Section 7.1 made plain, there are important limitations to the actions of impact bonds. Yet, the specificity within and through which such ethical finance unfolds need to be made visible.

I will make this argument over two sections. The first section argues that by focusing on highly vulnerable individuals, the schemes direct attention to the trope of suffering, away from the structural conditions that perpetuate the broader socio-economic causes of the problems they endeavour to address. Thus, despite their financialised problem-solving appeal, such programmes ultimately combine a rational outcomes culture with an *affective* response to social ills. Therefore, they reify the particularistic boundaries between benefactors and victims which considerably reduces the scope to help people who have been relegated to the fringes of society on the grounds of a shared humanity. The second section raises the question whether impact bonds are thus futile. Based on the case study interviews conducted, I will argue that the actors involved do not necessarily fail to reason about their broader circumstances; they realise that complex social ills are not (primarily) technical or financial problems, but political ones. Yet, instead of political (capital P) activism they look into action and work through ethical suggestions in a pragmatic way. In doing so, they are bound to run into difficulties as ethics (necessarily) relies on the aporias and dilemmas of everyday life, and is thus always at risk of failing. Yet, the schemes may rework exclusionary constellations 'from within' and thus simultaneously perform both a relation of inequality and a relation of assistance. The section makes the case for an ongoing engagement with both dynamics. The concluding section ties these lines of argument together and restates that the actions of impact bonds thus conceived go beyond a binary of welfare state expansion/retrenchment.

7.1 The Focus on Suffering

As Cooper et al. (2016) argue with regard to the London Homelessness SIB, there is a biopolitical element to the operation of impact bonds. Beyond the collection of data and the monitoring of the service users' lives, there is an element of governing/altering the lives of service users—and to some degree also other programmes in the field—according to very particular ideas of a worthwhile life, that is, maintaining an apartment, abstaining from drinking alcohol and taking drugs, managing one's health, attending school etc., what Cooper et al. (2016) refer to as 'a neoliberal version of what is considered "correct"' (p. 71).

Building from this appraisal, I want to raise a fundamental point in this section, taking insights from the work of Didier Fassin. I argue that impact bonds can be conceived of in terms of what Fassin (2007) calls a 'politics of life' (p. 500) in that they make a selection of poor existences that are to be supported through an intervention, and existences that are excluded from it. While this has lines of affinity with the notion of Foucauldian biopolitics (cf. Foucault, 2003, pp. 245–246; Foucault, 2010), Fassin emphasises that a politics of life is not limited to governing the life of populations, but it also involves 'making a selection of which existences it is possible or legitimate to save [as well as] producing public representations of the human beings to be defended' (Fassin, 2007, p. 501).

In the case of the London Homelessness SIB, for instance, the CHAIN database was used to define a group of vulnerable existences that were to be supported through the scheme.[142] It was found that a sixth of the homeless persons in London accounted for almost half of all recorded unsheltered sleeping occasions. Despite a range of already existing welfare services, the outcomes for these individuals had remained poor over the years. Many of them suffered from complex issues around drug and alcohol use, and mental and/or physical illness (Mason et al., 2014, pp. 8–9). So, the idea arose to improve outcomes for this group with a dedicated SIB project. This particular form of compassion feeds on the reification of the service users' (partial capacity to leave their) condition of victimhood. They are defined in terms of suffering—the victims of homelessness.

Ways to Wellness focuses on individuals who experience 'multi-morbidity, and challenging social and economic circumstances' (p. 38), for example, mental health problems, social isolation and/or low confidence (pp. iii; 12). Individuals from lower socio-economic groups typically experience higher levels of LTCs; they also tend to have poorer health condition management, therefore worse health outcomes, and higher mortality (Barnett et al., 2012, cf.). As I have elucidated earlier, West Newcastle upon Tyne which 'has some of the most deprived wards in England' (NHS Clinical Commissioners, 2015, p. 1) was a particular outlier—even amongst areas of deprivation for particular long-term conditions. So here again, a target group is defined based on a situation characterised by precariousness.

[142] As I have elucidated in sections 4.4 and 5.1, the CHAIN database contains names of individuals with a history of rough sleeping in London (along with data on their support needs, nationality, and age) and is constantly updated by various agencies.

In the case of Educate Girls, the focus was on children, especially girls, in India. As Gustafsson-Wright et al. (2017) specify, ‘3.7 million girls are out of school in India. Rajasthan has 9 of the 26 districts with the worst gender indicators and 40% of girls drop out before reaching fifth grade’ (p. 80). Uneducated girls in India marry three years earlier than educated ones, are three times more likely to contract HIV, and also earn less income. They are framed as the victims of the caste-ridden, feudal structures of the villages who ‘go without schooling, resulting in poor literacy and grim economic outcomes’ (Crabtree, 2013, p. para. 3).

While all these projects foreground the suffering of individuals who live under very difficult social and economic conditions, these conditions are accepted as they are—appear unchangeable—and the actions of the impact bonds only seek to change individuals’ knowledge and behaviour while distracting from the ‘broader societal and economic reasons why the problems occurred in the first place’ (Joy & Shields, 2013, p. 49). One can take homelessness: the UK’s Department for Work and Pensions’ pursued a series of welfare reforms which, amongst other things, capped and froze Local Housing Allowance, while the cost for private rented accommodation in London had increased eight times as fast as average earnings between 2010 and 2017 (Comptroller and Auditor General, 2017, p. 7).

Moreover, the Tory Government that came to power in 2010 slashed funding for social and affordable housing across Britain, and Boris Johnson drastically reduced the number of social homes he funded as Mayor of London (McAllister, Shepherd, & Wyatt, 2018). The suffering of rough sleepers is not simply the result of ‘misfortune’ or so, it is also a product of injustice. The UK ratified the International Covenant on Economic, Social and Cultural Rights (ICESCR) in 1976, according to which it is obliged to ‘respect, protect and fulfil the right to housing’ (Hohmann, 2015, p. 8). Moreover, homelessness typically results in a violation of various human rights, ‘from privacy to health, and in the inability to exercise civic human rights such as the right to vote' (Hohmann, 2015, p. 20). The SIB placed these aspects of homelessness beyond its considerations. Its moral imagination somehow favours both historical and empirical amnesia.

Likewise, Ways to Wellness remains silent on the societal and economic causes of LTCs. While health outcomes are of course affected by different health determinants (UCL Institute of Health Equity, 2014), the behavioural risk factors for developing LTCs are believed to be socioeconomically patterned (Wardle & Steptoe, 2003). Poverty makes people sick; this is not a platitude, many studies have indicated the connection between income and increased disease burden (Braveman, Cubbin, Egerter, Williams, & Pamuk, 2010; Franzese, 2015; A. M. Jones & Wildman, 2008; Ketteler, 2018). Yet, as Lynch, Kaplan, and Salonen (1997) have argued, based on a population-based study of 2,674 middle-aged Finnish men, 'poor adult health behaviour and psychosocial characteristics are importantly related to a poor socioeconomic start in life, low levels of education and blue-collar employment' (pp. 817–818), and in consequence, 'efforts to reduce socioeconomic inequalities in health must recognize that economic policy is public health policy' (p. 818).

In the case of Educate Girls, in 2009 India signed the Right to Education Act, which commits the country to providing both free and compulsory education for all children from age six to 14 (Chandran, 2016). The government has also sought to universalise access to education over the past 15 years through the District Primary Education Program which was followed by the 'Sarva Shiksha Abhiyan', the 'Education for All Movement' (World Bank Group, 2017, p. 6; Instiglio, 2015a, p. 11). But despite such efforts, the education of girls has remained a challenge, particularly in rural areas. The DIB focused on counselling sessions to explain 'the value of schooling to their parents and to the community' (Kitzmüller et al., 2018, p. 24) to improve school attendance and prevent drop-outs. The DIB's focus on parent counselling, a supplementary curriculum for the target group, and the management of the schools sidelined the thought that the basic structures of society might systemically work to the disadvantage of specific social groups (cf. Sasmal & Guillen, 2015). The root causes of gender inequality in Indian education are manifold and contested—and a detailed discussion of those aspects would go beyond the scope of my thesis. However, is it advisable to tackle the widely prevalent institutional discrimination in the Indian education system through such a micro-intervention at a local level?

Recently, 15 prominent academics[143] signed a letter in *The Guardian* stating that micro-interventions at a local level might yield satisfying results 'but they generally do little to change the systems that produce the problems in the first place'. They emphasise that '[w]hat we need instead is to tackle the real root causes of poverty, inequality and climate change' (*The Guardian*, 2018, para. 7). As '[t]he worse-off are not merely poor and often starving, but are being impoverished and starved under our shared institutional arrangements, which inescapably shape their lives' (Pogge, 2008, p. 207), action should be focused on macro-level changes instead (see also Pritchett, 2014). My point here is not to present a detailed appraisal of the root causes of, or solutions to, homelessness, LTCs, and the gender gap in Indian education. What I seek to highlight is simply the point that impact bonds place beyond consideration the deeper societal and economic causes of the problems they seek to address (cf. Giridharadas, 2019).

Through their focus on individuals and their issues around drug and alcohol use, mental and physical illness or educational attainment, impact bonds ultimately direct attention to the *trope of suffering*. Despite impact bonds' rationalist and aspirational ethics of 'solving problems' (rather than just alleviating suffering) they ultimately combine a rational outcomes culture with an *affective* response to things that are 'intolerable' in this world (cf. Jeffery, 2014, Ch. 7). These responses may be less overtly emotionally manipulative than other 'spectacles of suffering' (Chouliaraki,

[143] Among them Nobel prize winning economists Joseph Stiglitz, Angus Deaton, and James Heckman.

2013, p. 26) that can be observed in the realm of global charities (Kapoor, 2013) or microfinance (Schwittay, 2014), but they nonetheless direct attention to the condition of victimhood, depriving the needs and situations of the people in need of a vocabulary of justice and social change. While the aspirational ethics of impact bonds seeks to circumvent/counteract the 'warm glow effect', their actions still foreground a self-oriented morality at the expense of an other-oriented humanity because they are incapable of operating beyond the artificial, particularistic boundaries between benefactors and sufferers (Chouliaraki, 2013, p. 179; see also Rieff, 2002).

Despite its problem-solving appeal, the model ultimately directs attention to the 'victims' who have fallen through the cracks of existing social and health services, but who are not 'lost' yet, and away from structural violence and communal issues. In a way, this agent-centred focus ties in with the discourse around the proactive self-governance of the resilient subject, sidelining the thought that the basic structures of society could be in any way unjust (Brassett, 2018; Dagdeviren, Donoghue, & Promberger, 2016; Joseph, 2013). Not only does this limit the purview of impact bonds' proposed solutions but it also fails to affirm that precariousness is, almost by definition, a shared human condition. Impact bonds' focus on supporting and somehow nudging individuals in proper directions obfuscates the political contestability of the fact that 'some life is (made) more vulnerable than other life' (Stierl, 2014, p. 164).

Impact bonds also represent a 'politics of life' in two further respects. First, while all three case study projects selected groups that have been relegated to the fringes of society, they also did not focus on the most destitute individuals, but sought to identify a suitable target group that could still be 'saved' by welfare workers. The target group of the London Homelessness SIB consisted of so-called 'inbetweeners', that is, homeless persons 'who have had multiple separate episodes of rough sleeping related to various underlying "problems", but who have not yet been labelled as chronic'

(Cooper et al., 2016, p. 70). Ways to Wellness did not focus on the 'frequent flyers', that is, patients with three or more A&E consultations a year, but on cases where people first develop an LTC. As the Chair and Trustee Chair of Ways to Wellness specified:[144]

> Our argument was: there's no point in focussing on the end stage because it's too late, you are less likely to have an impact. If you are really going to change behaviour you need to start early.

The Educate Girls project worked with two different target groups: a group of girls for the enrolment outcomes and a group for the learning outcomes. For the enrolment outcomes, the organisation carried out a census-like door-to-door survey in 34,000 households and created a list of 837 out-of-school girls thus identified (Saldinger, 2018). 'Eligible' for this list were girls aged six to 14 years who were mandated under the Right to Education Act to be in schools, but who either had no access to a school in their community, did not enrol despite an available school, enrolled but did not attend, or enrolled and dropped out of the education system (UBS Optimus Foundation, 2018a, p. 4). For the leaning outcomes, the target group included both girls and boys in schools selected by the programme. Among other criteria, these schools had to be under the management of the Department of Education or Local Bodies—which excluded private schools, madrasas (Islam-centred schools), Sanskrit schools, and *Shiksha Karmi* schools, which work with local individuals as teachers (Instiglio, 2015b, pp. 26–27). Although less pronounced, a diligent selection of existences can also be observed in this case—not a focus on a wider group of individuals who are *entitled* to education.

Second, the projects made a differentiation between cohort members who were supported to progress towards housing, social prescribing or education and a supplementary curriculum, and existences who met the same criteria but who were

[144] Author's personal interview with Chris Drinkwater (Chair and Trustee Chair of Ways to Wellness), 20 September 2017

purposefully excluded from support (as part of a control group) in order to prove that the financed intervention makes a difference in people's lives. The London Homelessness SIB even made an internal differentiation between British cohort members and those who were subject to repatriation. The so-called 'reconnection' outcome target created a representation of the unwanted, illegal immigrant (Kish & Leroy, 2015). While the reconnections mainly comprised 'assisted voluntary repatriation' (DCLG, 2014, p. 1), they also included cases of administrative removal and deportation and were heavily criticised by activist groups (Corporate Watch, 2017) as well as different articles in *The Guardian* (Picton, 2018; D. Taylor, 2017).

In summary, it can be said that the analysed impact bonds all made a selection of poor, 'highly vulnerable' (Mason et al., 2017b, p. 23) existences that were supported through the schemes. At the same time, they excluded other existences from the service that were not suffering 'enough' to incite action or too destitute for the project to have an impact on their behaviour, as well as existences that met the criteria but who were purposefully excluded to produce a counterfactual to claim impact and, in turn, payments. Such politics of life simultaneously governs the lives of populations according to outcome targets and produces cohorts and statistical representations of existences that can and should be saved. I have argued that ultimately, this outcomes-oriented and technocratic culture is an affective response to social ills, which foregrounds *suffering* and the rescue of precarious lives within a faulty system—rather than addressing the faults. A vocabulary of justice and social change is absent. As Fassin (2012, p. 4) emphasises,

> The concept of precarious lives therefore needs to be taken in the strongest sense of its Latin etymology: lives that are (...) defined not in the absolute of a condition, but in the relation to those who have power over them.

Against this backdrop, I argue that the capacity of the projects to help the service users on the grounds of a shared humanity (that is, beyond the artificial, particularistic boundaries between 'us' and 'them') is limited, the schemes deprive the needs and situations of 'beneficiaries' of a vocabulary of justice and social change. The projects even place such considerations beyond debate because their actions on human suffering are automatically believed to be good; as Didier Fassin puts it, 'humanitarian reason is morally untouchable' (Fassin, 2012, p. 244), and political confrontation therefore struggles to interfere with its transactions.

Although proponents of the SIB defended a rationalist and aspirational ethics of 'solving problems', rather than just alleviating suffering, the schemes ultimately combine rational arguments with an emotional response incited by the concern for 'victims'. Yet, they do not, as they claim, try to fundamentally solve social problems. Rather, they seek to improve individual lives and seem to envision service users to be(come) some sort of bottom-up drivers of change that will act as role models for, and enablers of, other individuals in their families and communities. As Kramer (2018) has it, '[i]t is always the victims who are told by the winners that they must change, never the other way around' (p. 69). The ways in which impact investors conceive of themselves in relation to the 'poor and vulnerable people' (O'Donohoe et al., 2010, p. 7) who purportedly benefit from the social value created is highly problematic. The moral imagination of impact bonds builds on apolitical activism, keeping actors from even thinking that the structure of society is in any way unjust and might systematically disadvantage certain groups. Thus, the schemes do not only perform a relation of assistance but also a relation of inequality. Some commentators thus suggest that impact investing just seeks to improve 'lives within the faulty system rather than tackling the faults' (Giridharadas, 2019, p. 6).

Impact bonds circumscribe the 'place' of ethics and what ethics requires in a particular way and considerably reduce the scope for articulating different visions that displace financial logics from social service provision and instead foreground local knowledge and practical judgment. As Connolly (2002) succinctly puts it, ‘to act ethically is often to call some comforts of identity into question’, and that would imply to politically challenge the need for investment (cf. Langley, 2010a, p. 134). If reflexive thought—understood as questioning the meaning, conditions and goals of our own conduct—is at the heart of ethics, impact investing is a limited ethical practice. The services financed through impact bonds leave untouched the broader socio-economic causes of the problems they endeavour to solve. Instead, they try to act on the behaviour and destinies of socially and geographically distant others whose existence is consistently defined in terms of suffering.

Having elucidated how factivist finance focuses on sufferers, in a next step, I ask if impact bonds just stop the articulation of political solutions and thereby paradoxically enhance political control (cf. De Waal, 1997; Ferguson, 1990).

7.2 Transformation Through Recombination

The previous section demonstrated that impact bond projects do not challenge the societal and economic contexts in which they are set. But does it follow from the failure of their actions to achieve complete determination that actors also failed to reason about their broader circumstances? Throughout the interviews conducted, actors emphasised that the social ills that they seek to address with these projects are not (primarily) technical or financial problems, but *political* ones. In the context of the UK SIBs analysed, various interviewees put on record that it is obvious that austerity has had a huge impact on people’s lives. As one of the navigators from the London Homelessness SIB put it: ‘welfare reform, universal credit; no one can turn away from the fact that people are becoming destitute because of that’.[145] Only because impact investors do not profoundly

[145] Author’s personal interview with Kathleen Sims (Service Development Manager at St Mungo’s), 5 September 2017.

transform the social and political ‘order’—do they automatically fail to reason about their broader circumstances (as non-reflective instruments of capitalist interests)?

I would suggest that, rather than directly problematising broader societal and economic reasons of social ills, the focus of the interventions is on acting within and through the existing system. Building upon Collier (2009), I argue that the actions of investors and service providers can be understood as a practice of how ‘existing techniques and technologies of power are re-deployed and recombined in diverse assemblies of biopolitical government’ (p. 79). While actions are enfolded into financial power, the focus on ‘what works’ and ‘empirical facts’ can also interrupt the effects of exclusionary constellations from within. Rather than directly challenging structural violence and communal issues, impact bonds recalibrate the organisation of power relations and redistribute available resources to individuals whose needs are no met by existing services. Actors enabled ‘the commissioning of services that would otherwise not be commissioned’ (Edmiston & Nicholls, 2018, p. 72; cf. Ronicle et al., 2014, p. 35), which is not automatically tantamount to uncritically affirming efforts to move toward a quantitatively smaller welfare state. Pitched through networks of private investors, NGOs, think tanks, charismatic and influential ‘compassionate capitalists’ such as Ronald Cohen (cf. *The Economist*, 2005), both governments and foundations now make subsidies available for new and miraculous ‘factivism’ projects. If we follow this train of thought, impact bonds do not only reproduce the structural conditions that perpetuate inequality but also *use* these structures to produce ‘something new’, to create things that would not happen otherwise (Ronicle et al., 2014, p. 35). Actors mobilise the discourse around impact bonds and financialised metrics/logics to interrupt the effects of exclusionary constellations from within.

As Section 5.1 indicated, the service providers were given a high degree of freedom as to how they strive for impact. While the data collection regimes are quite strict, the outcomes-oriented structure also enabled service providers to work more flexibly: they were given a high degree of freedom as to how they worked together with service users individually. The Ways to Wellness programme, for instance, cannot impose areas of health improvement upon patients in some form of top-down will-to-care that silences dissent. On the one hand, participation in the programme is voluntary and, on the other hand, the areas where patients want to improve as well as respective goals are identified together with them. These face-to-face interactions are not free from power relations and the metrics of the SIB may well influence the ways in which link workers go about setting such goals and even affect the relationship between them and the service users. But it is not as if the impact bond mechanism and its metrics dominate everything 'from above'. Rather, actors need to engage with service users and help them find individual ways of getting more exercise, eating better, drinking less alcohol, smoking fewer cigarettes, etc. Moreover, within agreed-upon constraints, service provider staff could spend budgets as they thought appropriate to help service users—without consulting the outcome funder all the time. As I outlined, they could for instance pay for the renewal of birth certificates for rough sleepers (Swain, 2015) or provide additional training for teachers in Rajasthan when it became clear that the teachers struggled to teach math at higher levels (Gungadurdoss, 2016).

We might dismiss the benevolent actions of investors and service providers since they do not challenge structural violence and communal issues, and even exacerbate them by earning financial returns from the interventions which are funded by the public purse. Impact bonds' capacity to 'further the goals of "social justice" for "vulnerable" populations' (Tan et al., 2015, p. 17; Cabinet Office, 2011; HM Government, 2013) is decidedly limited; impact bonds have crucial ethico-political limitations. As many critical commentators have suggested, impact bonds can be seen as a form of neoliberal foster care which seeks to change the lives and destinies of certain vulnerable groups without problematising structural injustice and violence (Harvie &

Ogman, 2019; cf. McGoey, 2014, pp. 116–118).[146] However, critical studies should retain analytical sensitivity to the heterogeneity and specificity within and through which such factivist finance unfolds. As Thames Reach's Senior Executive explained his inducement to act on homelessness with the SIB project, 'I think it's hard to justify not doing that because we see people die on the street all the time, every year we are losing dozens of people who die on the street'.[147] It is difficult to neglect the moral imperatives of these programmes. In what follows, I will take some steps towards showing how certain theoretical orientations towards thinking, research, and politics in IPE might stand in the way of grasping ethical moments and agency in the context of factivist finance.

7.3 The Politics of Drawing Lines

While modern (normative) ethics is typically concerned with ground-level questions about how one ought to live, or how one should act (Kagan, 1998), 'ethics' in IPE commonly refers to an engagement with the unethical dimensions of markets, globalisation etc. (Andreu & Brassett, forthcoming). In this sense, ethics is often portrayed as something that confronts or contests power. The tone appears to suggest that instances of global injustice are all-pervasive and so ethical agendas can be understood as a straightforward set of attempts to ameliorate global power relations (Tooze & Murphy, 1996). The goal of critical scholarship, then, is to become conscious of the systemic basis of global market life and to (re-)introduce 'real' (i.e. other-oriented) ethics. This can be seen as a dilemma because it reifies the very problematic that it seeks to de-centre. Indeed, the way that critical IPE orders the world arguably constructs the very image of a totalising capitalist system that one might imagine is the very problem (Brassett & Holmes, 2010; Gibson-Graham, 2008).

[146] This appraisal has lines of affinity with the argument made by Alexander De Waal in his seminal book on famine where he argues that 'a humanitarianism that sets itself against or above politics is futile' (De Waal, 1997, p. 6).

[147] Author's personal interview with Jeremy Swain (Chief Executive at Thames Reach), 2 October 2017.

In this reading, the actions of impact bonds always need to be dismissed since they not only re-affirm the structural conditions that reproduce inequality and poverty, but even exacerbate them by paying investors financial returns with tax money. Freedom is framed as an antagonism of domination, an antagonism of something that alienates, conceals, or simply represses people's 'authentic' subjectivity.

In view of my analysis in the previous section, I propose to move beyond an assumption of (and therefore a critique according to) a binary between ethics and markets—a binary of welfare state expansion/retrenchment—for investigating how certain iterations may belie a novel form of political agency that entertains the possibility of proliferating 'something new'. As Amoore (2006) argues, many critical IPE approaches have 'significantly and problematically underplay[ed] the ambiguities and contradictions of subject positions within the interplay of power and resistance' (Amoore, 2006, p. 160). I would suggest that there is no Archimedean point in this struggle; being subject to power relations and being a subject, one of self-knowledge, should be seen as two aspects of the same process (de Goede, 2006, p. 12). The logic inherent in regimes of practices such as impact investing 'is irreducible to the explicit intentions of any one actor but yet evinces an orientation toward a particular matrix of ends and purposes' (Dean, 2010, p. 32). It is precisely the notion of such a matrix that allows us to understand the contradictory subject positions delineated: the resulting subjectivities, judgments and actions are complex, and continuously (re)negotiated (Peterson, 2006, p. 120). On one hand, this constrains individuals as they may affirm 'finance' as a solution to societal problems and its violent effects (without even realising it), but on the other hand, such a matrix may provide actors with diverse resources for recognising problematic conditions and for offering 'focused, often pragmatic, responses to them' (Katz, 2004, p. 247). Rather than confronting other forms of power, such responses seek to recalibrate them, and redistribute available resources. For instance, impact bonds help people with mental health issues that would otherwise not get support from the NHS or by overcoming the organisational and budgetary silos of different London boroughs when it comes to helping rough sleepers who are mobile and move between different boroughs. Rather than understanding impact bonds as 'nothing but' the liberal economism of recent years, I would suggest that they can foster a novel form of political agency that goes beyond a binary of welfare state expansion/retrenchment to imagine alternative (if imperfect) forms of assistance. Impact bonds can simultaneously be both depoliticising, by virtue of the 'cold hard facts' they seek to perform, and deeply political, as ethics 'in one way or another, always involves politics' (Hutchings, 2010, p. 8). The logics of these programmes do not unfold in a successive or linear manner; they are indeed a 'topological space' (Collier, 2009, p. 96) in which individuals are not fully determined by structural power, they also possess the possibility of creative development according to self-chosen goals—'a "concrete liberty" that can only react against its context of the moment' (Veyne, 2010, p. 109). This takes into account more productive visions of power, whereby market agents might be conceived as subjects that are both produced by market rationalities and yet, in turn, are able to speak and act politically.

Ethics is not something that easily lends itself to categorical definitions. So, it is maybe a question of doing both, in other words, to coordinate provision around specific needs through impact bonds *and* to simultaneously challenge the broader socio-political causes of homelessness, low educational attainment, or LCTs. As Kahn (2016) succinctly puts it, 'there is no reason why we cannot recognize duties to promote and support just institutions that reliably avoid poverty in addition to duties of aid that require us to act effectively to rescue those in extreme difficulties' (p. 223). The point of this more integrative perspective is not to naively celebrate impact investing and to abandon the study of material structures and questions of power. But while impact bonds are blunt weapons to alter existing polarisation of power, they have the potential to change the *organisation* of power relations by redirecting available resources and by developing new social and health programmes.

Social-scientific research needs to make visible the heterogeneity within and through which social finance unfolds. More critically, arguing that a market logic saturates all power relations in this space ultimately means to buy into a 'politics of drawing lines' (Edkins, 2003, p. 257), that is, a politics of categorically defining what ethics is, and what it is not (Foucault, 1990, p. 9).

7.4 Concluding Remarks

Having discussed the inconsistencies that arise with regard to the testing ground argument, the normalisation of testing, and the novel subject positions that thus emerge in Chapter 6, this chapter argued that factivist finance is a shortcut to judgment in one further respect. Impact bonds' focus on the victims who have fallen through the cracks of existing social and health services leaves the socio-economic causes of social ills untouched. I suggested that impact bonds can be conceived of in terms of a 'politics of life' (Fassin, 2007). Rather than effectively addressing social problems, the interventions only act on the behaviour and destinies of socially and geographically distant others whose existence is defined in terms of suffering. These programmes do therefore not only perform a relation of assistance, they also perform a relation of inequality, re-instantiating exclusionary constellations. Such financialised do-gooding can be seen as 'a form of market foster care in the context of a liberal, post-nation-state milieu' (Mitchell, 2017a, p. 113; cf. McGoey, 2014, pp. 116–118) that reproduces or even exacerbates the structural violence and communal issues that give rise to poverty.

In the second part of this chapter, I have argued that the analysis of ethical agency in IPE is contested terrain and might limit an engagement with the normative aspects and the sub-institutional power-relationships that can be observed in the context of impact bonds. While modern (normative) ethics is typically concerned with ground-level questions about how one ought to live, or how one should act, 'ethics' in IPE commonly refers to an engagement with the unethical dimensions of global production, trade, and finance. In this sense, it is assumed (rather than empirically studied) that ethics is something that needs to confront or contest power (where power is always understood as power-over). Critical scholars have seen their role as one of engaging, ameliorating or otherwise countering the unethical dimensions of globalisation (Tooze & Murphy, 1996). Correspondingly, as Brassett (2016) has argued, studies of resistance typically focus 'on the practices of positive agents (i.e. the ones that we like)—the marginal, the disenfranchised and so on' (p. 12). But rather than understanding impact bonds as 'nothing but' the liberal economism of recent years, I suggested that impact bonds can also foster a novel form of political agency that goes beyond a binary of welfare state expansion/retrenchment to imagine alternative (if imperfect) forms of assistance. While the scope of such interventions is limited, social actors do not necessarily fail to recognise that issues such as homelessness or LTCs are, first and foremost, political problems. But instead of directly challenging structural violence and communal issues, the actors of factivist finance seek to interrupt the effects of exclusionary constellations 'from within'.

Impact bonds do thus not only reproduce structural conditions that perpetuate poverty but they also employ them to articulate alternative (if imperfect) responses. Rather than adhering to abstract principles of desert, entitlement, fairness, etc., actors try to work through ethical suggestions in a pragmatic way and manage to enact new interventions that would otherwise not be created. I emphasised the importance of foregrounding these conceptual and political dynamics and ambiguities in IPE analyses—instead of buying into a politics of constructing the very image of a totalising capitalist system that saturates all power relations and crowds out ethical agency. Factivist finance is indeed a 'topological space' (Collier, 2009, p. 96) in this wider sense, its logic of government does not unfold in a linear manner.

8. Conclusion

This thesis offered an in-depth examination of the politics of the emergence and the operation of impact bonds. Based on three case studies, it demonstrated that rather than simply implementing a financial 'script' to which social purposes are unproblematically added on, impact bond programmes configure heterogeneous rationalities (i.e. scientific, ethical, managerial, financial, and socio-political) into a programmatic form that employs a fact-based approach to tackling complex social problems. I termed this configuration 'factivist finance' and illustrated how it is mobilised on behalf of public institutions and charitable foundations. By mapping out a distinct logic of impact investing and discussing how this logic drives the financialisation of social welfare and development aid programmes, this thesis extends the existing IPE literature on social finance.

My analysis was based on actually existing subjects' reflections. In a way, I suppose I provided an oral history of impact bonds, but rendered it as a site of politics and ethics. I invoked the notion of an 'aspirational ethics' of at once maximising social outcomes and financial gain through a results-oriented mechanism. In this mechanism, the focus on evidenced results reassures actors that monetary returns are not produced by a financial instrument in the abstract, but by positive effects on service users' wellbeing, knowledge, behaviour or circumstances. Governments and donor agencies, in turn, can claim that they either fund interventions that generate evidenced social impact, and compensate investors for creating this impact, or minimise the cots (as investors otherwise pay the bill). In this thesis, I mapped out various inconsistencies, contradictions and gaps of this logic of government and discussed both its political limitations and possibilities.

This concluding chapter summarises what has been revealed by the analysis and how it is relevant to the research questions and themes outlined at the beginning of this thesis. The chapter is split into three parts. The first section recapitulates the argument and the findings of this thesis. The second section reflects upon the central contributions and the implications for IPE scholarship and wider interdisciplinary debates. The third section maps out how the arguments and findings of this study will guide and inform my future research. The concluding section briefly recapitulates these points and formulates closing comments on 'this thing called impact bond'.

8.1 Findings and Main Argument

The impact bond mechanism is a striking case of both the post-crisis 'social turn' of finance and the financialisation of social policy. Instead of an abdication of responsibilities by the collective, we witness an increased hardwiring of finance directly into the management of social issues; not a handing-over of social issues to financial markets actors and logics, but an integration of finance into social policy; not a retreat of public institutions, but their financialised reconfiguration. As Chapter 2 elucidated, the existing critical IPE literature on impact bonds explains the emergence of impact bonds in terms of a logic of expansion of financial markets that subordinates social and moral values to market rationality (e.g. Dowling, 2017; Eikenberry & Mirabella, 2018; Ogman, 2019).

A burgeoning body of scholarship challenges this reading by arguing that this instance of financialisation advances *precisely* through a de-differentiation of social and market domains (Chiapello, forthcoming; Guter-Sandu, 2018; Langley, 2018). Building from this understanding, Chapter 3 made the case for a 'topological analysis'

(Collier, 2009) that allows for making visible in empirically situated terms how different political rationalities and techniques are configured in the particular context of impact bonds. It proposed to direct analytical focus to the ways in which subjects think about and alter 'problematisations' that their society and culture presents to them (May, 2014b). Specifically, I built from the work of Didier Fassin (2007, 2009) to put an emphasis on how, in the context of impact bonds, social issues and 'vulnerable populations' (Gustafsson-Wright et al., 2015, p. 14) are constituted as a certain 'problem space' (Collier, 2009, p. 80) in which impact bonds emerge as fact-based solutions. Based on these understandings, I proposed an 'experimental investigation' of three specific impact bond case studies through document analysis and fieldwork.

Equipped with these theoretical understandings, Chapter 4 shone a light on the roles of the different social actors engaged in the impact bond industry. In particular, it briefly discussed the events and practices that led to the formation of the first impact bond, and how this particular programme was annexed by a more global discourse around the question of 'how the rich can save the world' (Bishop & Green, 2008). In a second step, the chapter segued into a discussion of the formation of the three impact bond case study projects, the actors involved and their different social positions, material interests, and world views.

In Chapter 5, I outlined the main argument, emphasising that the conflation of evidence-based practices and benevolent finance gives rise to a distinct mode of reasoning—what I termed 'factivist finance'. This mode of reasoning was shown to recombine philanthropic, financial, ethical, and managerial rationalities into a programmatic form that employs a fact-based approach to poverty alleviation, selecting and governing target populations in a particular way. Based on these case studies, I illustrated how complex experiments are enacted that use RCTs and other (quasi-)experimental methods to test if interventions lead to positive social effects for a target group, always relying on a specific set of social outcome targets. Through continuous data-collection activities the actors involved try to ascertain whether projects make progress vis-à-vis the status quo.

I argued that in the context of impact bonds, investors are not merely passive sources of money, but devote time and expertise to dealing with complex social issues. They regularly meet with other stakeholders to discuss results and support as well as challenge service providers to improve outcomes for target populations. The 'everydayness' of factivist finance was a direct concern of Chapter 5 reflecting how impact bonds construct a logic of the everyday through the result-oriented structure that determines the operation of such interventions. An emphasis on 'what works in a particular social issue area or context' (Center for Global Development & Social Finance, 2013b, p. 105) was shown to constantly reassure actors (not only investors) that they are not mistaken about what it means to do good, that they can simultaneously improve the lives of people who have been relegated to the fringes of society and earn financial returns. In this problem-space (Collier, 2009, p. 90) it is not only permissible to gain financially—there is almost a 'responsibility to profit' (Andreu, 2018, p. 720) as service users would be worse off otherwise. I emphasised that beyond the utilisation of financial tools and logic, factivist finance is thus connected to wider discourses of finding evidence of 'what works' in tackling poverty-related social issues.

Against this backdrop, I made a number of interventions to emphasise the conceptual and political ambiguity of impact bonds. In Chapter 6, I mapped out various inconsistencies of the pay-for-success model. I suggested that the measurement of changes in the lives of service users is much more complex and provisional than typically assumed in this discourse. Thus, for impact bonds to function, actors not only need to meticulously measure outcomes, they also need to protect factivist finance from too much external scrutiny; 'objectivity' thus becomes a performative practice and the claim of greater transparency becomes more and more symbolic.

Moreover, pay-for-success contracts are not only used to finance untested, innovative approaches but become normalised as commissioning logic. Investors are thus not necessarily compensated for pre-financing trials of approaches with uncertain outcomes, but for ensuring that social impact is always maximised (however defined) through due diligence and managerial practices.

Beyond the emphasis on scientific methods and near real-time data, I argued in Chapter 7 that impact bonds ultimately articulate an *affective* response to situations characterised by precariousness—rather than acknowledging that precariousness is, almost by definition, a shared human condition. The impact bond-financed interventions are contingent upon a typical humanitarian trope of Fassin's 'politics of life' of the suffering 'other', predicated on the artificial, particularistic boundaries between benefactors and specific victims. In doing so, these vehicles distract from or otherwise obscure broader socio-economic causes of the social problems they endeavour to 'tackle'. I also emphasised in Chapter 7 that these inconsistencies and contradictions do not necessarily erase the projects' social purposes; monetary returns do not saturate all power relations. In articulating a concern for others—bringing about 'services that would otherwise not be commissioned' (Edmiston & Nicholls, 2018, p. 72)—and in proliferating local negotiations and everyday face-to-face interactions, impact bonds are deeply ethical and political. But rather than engaging in debates about 'the welfare state', factivist finance reworks exclusionary constellations 'from within' and redirects available resources to the provision of individualised support for marginalised and vulnerable groups. The subjectivities that emerge in this context are multiple and complex—impact bonds simultaneously perform a relation of assistance and a relation of inequality. Therefore, paraphrasing Foucault (1982b), I propose to conceive of the ethics of impact bonds as something that is 'dangerous, which is not exactly the same as bad' (p. 231; cf. Zehfuss, 2018, p. 207). In the next section, I discuss how this analysis contributed to the social-scientific literature through the ways in which it approached, and made visible, such heterogeneity.

8.2 Central Contributions and Wider Implications

Impact bonds mark a shift from finance as welfare/development to *financialised* social and international development policy. Finance is increasingly hardwired into the management of social issues. The existing IPE literature emphasises that, rather than reflecting and altering the direction of policy, impact bonds advance 'the orthodox neoliberal hegemony project' (Ogman, 2018, p. 237) through selective integration of ideas from social and labour movements (Dowling, 2017; Schram, 2015; cf. Peck, 2010, p. 112).[148] Market rationality is assumed to pervade public institutions as well as voluntary and non-profit organisations, crowding out social and political values (Harvie & Ogman, 2019). This is a view that is often brought up in critical analyses of impact investing in IPE and beyond (e.g. Cooper et al., 2016; Lake, 2015; Rosenman, 2019; Sinclair et al., 2019). In this literature, I argued, there is a tendency of framing the integration of finance into the social as a rationalised, linear process to which social purposes are (simply) being 'added-on', and ultimately erased. Following Guter-Sandu (2018) and Langley (2018), I made the case for an in-depth empirical study of how *exactly* such financialisation advances and what it does to 'the social'—rather than assuming that the social is automatically subordinated or crowded out.

In the following subsections, I discuss how the arguments and findings that emerged from this study extend the existing IPE literature. First, I explain how the specific pattern of impact investing that I observed can move academic discussion on financialisation along. Second, I reflect on the theoretical framework employed in the thesis and how it can contribute to wider literatures on facilitating social purposes through market means. Third, I discuss how my analysis of 'factivist finance' has wider implications for interdisciplinary debates about contemporary forms of development aid, humanitarianism, and philanthropy and its growing

[148] As I elucidated in Section 2.3, this is also referred to as 'passive revolution'—an expression coined by Gramsci (1971) (cf. Ogman, 2019, p. 18).

orientation towards measurement, metrics, calculation, quantification, and valuation—in conjunction with financialisation.

A Critical Intervention in the Study of Impact Investing

Recent years have seen the rise of novel private equity and debt investments that seek to produce blended value through the work of private-sector entities that apply business approaches to achieving social goals (Barman, 2016; Golka, 2019; Kish & Fairbairn, 2018). As Chapter 2 made plain, there is a burgeoning critical literature on vehicles of impact investing and this thesis made a contribution to this literature by providing an empirically-oriented and nuanced account of the emergence and operation of SIBs and DIBs. I argued that impact bonds adopt a specific logic of government that cannot be straightforwardly attributed to market rationality or a single neoliberal apparatus 'as a more or less constant master category that can be used both to understand and to explain all manner of political programs' (Rose et al., 2006, p. 97). Rather, this study explained the ways in which impact bonds constitute specific social issues as policy problems that can be solved through a configuration of financial techniques (such as due diligence procedures and financial risk-taking), scientific methods (such as RCTs) and management practices (such as performance management). I typified this specific mode of reasoning under the rubric of 'factivist finance' and argued that it is not simply a profiteering calculus that builds upon emotionally compelling stories and images of suffering others. Rather, this logic of government revolves around the idea of objectively determining the causal effects of financed interventions through scientific methods and the collection of near real-time data—to then claim financial returns if the funded programmes have solved complex social problems (rather than merely alleviating suffering). This separates impact bonds from other impact investing vehicles that are predicated on 'an ethos about the way money is used' (Nicholls & Pharoah, 2008, p. 2) and environmental, social and governance (ESG) criteria to evaluate corporate behaviour for investment decisions. In contrast to such vehicles, impact bonds build upon experimental methods to measure social outcomes *and* make payments contingent upon the programme outcomes thus measured.

This thesis reflected how this outcome-orientated structure relies on sophisticated IT systems to track, manage, and report data, and how it enacts a particular logic of the everyday infiltrating social work at the level of subjects. In this setup, the investor subject does not only invest money in response to things that are 'intolerable' in this world but also becomes actively involved in the design and management of such programmes as well as an array of matters of social work, healthcare or education. The subjects of factivist finance seek to avoid the risk of 'warm glow' or 'feel-good' investing by relying on meticulous and continuous measurement of non-financial outcomes and by making financial returns dependent on the outcomes thus measured. My research project thus showed how subjects reflect on existing problematisations in impact investing and how they alter these problematisations. By mapping out such processes of subjectivity formation, this thesis made a contribution to the literature on ethical investments, which I reviewed in Section 2.3 (Aitken, 2007; Langley, 2010a; Langley & Leyshon, 2012). Moreover, this thesis also made plain how impact bonds' logic of government acts as a 'major strength in policy terms' (Tan et al., 2015, p. 19) resulting in the endorsement and commissioning of impact bonds by local authorities or donor agencies. Put another way, this study showcased both how a particular vehicle of impact investing is 'made up' and how it comes to form part of the contemporary transformation of social welfare and development aid programmes.

The contribution of this thesis to the critical literature on impact investing does not only consist in an explanation of a particular logic of government, the study also made a number of interventions to emphasise the conceptual and political ambiguities of this logic in Chapters 6 and 7. The analysis thus moved beyond an assumption of (and therefore a critique according to) a binary of market logic expansion and retrenchment and offered a more situated critique that is based on the wider rationalities through which actors entangle ethical discourses with experimental methods and knowledges from venture capital and private equity investing. The critique articulated in this thesis built from the inconsistencies, contradictions and gaps identified within impact bonds' logic of government.

Methodological Contribution: Governmentality Revisited

The advantage of the type of 'topological analysis' (Collier, 2009) I adopted is that it allows for making visible the heterogeneity and specificity within and through which vehicles such as impact bonds are mobilised, reproduced, and altered. It allows for advancing a critical understanding of how novel financial (self-)understandings are produced and how they come to govern the lives of populations.

Critical IPE has typically combined Foucauldian notions of governmentality and political rationalities/technologies with critical historical materialism analyses, invoking some sort of 'global panopticon' (Gill, 1995; Morton, 2007). A reciprocal relationship between economic relations and the ethico-political sphere is assumed to exist in this literature, but the logic of government is assumed to ultimately follow/reproduce a hegemonic culture, shaped by and woven into material relations and patterns of accumulation (Gill, 2008). In this view, facilitating 'social purposes' through market means can therefore only be decoded as a strategic rationality that uses social purposes as a 'lubricant' to extend the market even further. The goal of critical scholarship, then, is to become conscious of the systemic basis of global market life and 'to escape from the reifications of capitalist ideology' (B. G. Jones, 2008, p. 212).

The investigation in this thesis was developed from a different point of departure. It did not start with ideology to analyse what instruments ideology uses, but offered a framework for a bottom-up analysis of power which began with instruments—heterogeneous practices and mechanisms—to explore how they are assembled into a contemporary formation of government (cf. Neal, 2009a, p. 168). More specifically, it sought to analyse the ways in which impact bonds are made up to address social issues. In that sense, this thesis provided a comprehensive response to the call for 'unpacking (. . .) what these conceptions reveal about a potential new form of managing populations' (Guter-Sandu, 2018, p. 249). This form of governmentality analysis is well suited for addressing questions of politics and the political. Beyond impact bonds, this theoretical framework could also be used to study other 'problem-spaces' (Collier, 2009, p. 90) that reveal more complicated and disparate power configurations than usually associated with forms of liberal governance. Topological analysis allows for studying the ways in which social issues are constituted as 'problems' in such spaces, how solutions are devised to target specific existences (while excluding others).

For some scholars, such a framework might only distract from the study of material structures, dissolving questions of power into a relativist reductionism and 'anti-structural particularism' (Collier, 2012, p. 186) that destroys the ontological ground on which clear judgments can be made. In response I would emphasise, and have done so throughout this thesis, that processes of interpretation and knowledge are always a *premise* for monetary value and material/institutional possibilities, not just a by-product of 'real' material financial structures (cf. de Goede, 2003, p. 94; de Goede, 2005, pp. xxii, 7). I proposed to analyse such interpretation processes as 'a practico-critical activity' (Collier, 2009, p. 28) whereby people do not simply reproduce meaning systems that specific social groups or institutions present to them, but recombine and rework them. This makes it possible, then, to provide a nuanced account of 'problem-spaces' where multiple forms of power operate simultaneously.

This theoretical approach made possible a critique of impact bonds that goes beyond a reification of the very image of the principles assumed to propel financial markets (profit maximisation, self-interest, etc.). While 'traditional' governmentality studies are interested in the reorganisation of governmental techniques in response to practical failures of social liberalism (Larner, 2000), this thesis offered a study of the emergence of novel political rationalities that develop—to some degree—out of the practical failures and critiques of the liberal economism of recent years and the 'loss of faith' (Riles, 2013, p. 556) cited at the beginning of this thesis; it explained how impact bonds are constituted as an object of thought and thus become knowable, and in turn available for action to govern existences.

New Repertoires for Benevolent Action

The key arguments of the thesis and the associated development of the notion of 'factivist finance' have wider implications for ongoing research into the role in contemporary governmental regimes of measurement, metrics, calculation, quantification or valuation. In particular, this applies to current research on the 'growing instrumental orientation' (Calhoun, 2008, p. 97) of humanitarian interventions (Mitchell, 2017a; Reid-Henry, 2014; Richey, 2018), the social sector (Eikenberry, 2009; Lewis, 2005; Morley, 2016), philanthropy (Eikenberry & Mirabella, 2018; McGoey, 2016; McGoey & Thiel, 2018; Villadsen, 2007), and international development (Best, 2014; Merry, 2016). These literature strands all discuss the increasing focus on measurement and statistical methods. As Best (2014) puts it, 'accurate measurement has become something of a holy grail (. . .), viewed as a mythical key to figuring out what works and what does not—and why' (p. 164).[149] In this context, scholars often invoke the notions of 'benchmarking' (Broome & Quirk, 2015), 'metric power' (Beer, 2016) or even the 'tyranny of metrics' (Muller, 2018). Aspects of the quantification of social welfare and development aid programmes have been meticulously analysed by different scholars who emphasise that it is (virtually) impossible to measure social outcomes and, in consequence, to unequivocally attribute changes in the behaviour and circumstances of individuals to such micro-interventions (Mitchell, 2017a, 2017c; Sinclair et al., 2019). While such

[149]This broad tendency is further illustrated by contemporary debates around evidence-based effective altruism (Gabriel, 2017; Gabriel & McElwee, 2019; MacAskill, 2015; Singer, 2015).

regimes of measurement appear as a technical response to a given problem, they typically create a new kind of knowledge through ‘a set of highly symbolic practices that make the links between action and outcome visible’ (Best, 2014, p. 180). At the same time, the focus on statistics and measurement depreciates the practical judgment and local knowledge of social workers and NGOs ‘on the ground’ (Eikenberry & Mirabella, 2018; Merry, 2016; Morley, 2016).

While this literature does an excellent job of opening up questions of the quantification of social programmes and the issue(s) of measurement, the explicit turn of such discourses and practices to finance and the utilisation of interest-bearing capital, however, has been less well covered—or simply been assumed to be just another instance of privatisation and neoliberal market rule. This thesis moved beyond a ‘critique of numbers’ and an explicit focus on socio-technical devices that govern at a distance. It offered an in-depth analysis of how social outcome measurement, performance measurement, and financial logics are recombined in the context of impact bond programmes—an explicitly financialised solution to poverty alleviation. I argued that the shift from evidence-based ‘gift giving’ to the creation (and indeed maximisation) of blended value is politically significant and goes beyond the adoption of measurement or performance metrics. While the literature mentioned above does discuss techniques of results-based management in charities and NGOs or (quasi-)experimental methods for evaluating micro-interventions, my thesis extends the literature by illustrating how such elements get reconfigured and combined with knowledges of equity and venture capital investment to form a logic of blended value maximisation. Overall, I suggest this marks a novel repertoire for benevolent action—factivist finance—that calls for further social-scientific research. The key arguments of this thesis and the associated development of the notion of factivist finance thus have wider implications for ongoing research into the role in contemporary regimes of measurement as the ‘broader discursive field of humanitarian reason is shifting’ (Mitchell, 2017a, p. 124; cf. Richey, 2018).

8.3 Future Research Agenda

There is a burgeoning literature on the ways in which public institutions increasingly use financial tools—and work with financial actors—in the realm of social welfare and development aid programmes (Chapter 2; see also Dowling, 2017; Karwowski, 2019; Mawdsley, 2018a; Wainwright & Manville, 2017). While the financial volumes of impact bonds and the number of projects are (still) small (Section 1.1; cf. Chiapello, forthcoming; Williams, 2019), actors emphasise that the '[p]otential market size is significant enough to stimulate more R&D' (USAID and Palladium, 2018, p. 29) and consequentially, impact bonds and similar models are increasingly being explored by donor agencies, international organisations, private foundations, and NGOs (Boggild-Jones et al., 2019; Ecorys, 2018). My findings may serve as a starting point for further case studies of SIBs and DIBs in other countries and other issue areas. An analysis of how the impact bond model is adopted in the context of other programmes could add interesting dimensions to the rubric of factivist finance. Such analyses would allow for contextualising and cross-checking the qualitative findings that my study has provided in terms of the logics enacted, subjectivity formation, and the political consequences of the forms of government adopted. The notion individuals construct of impact bonds in different contexts may well vary. Not only might the concept itself be altered as it is adopted in different contexts and by different actors, but it may also give rise to different kinds of investor subjects and advisory organisations.

As section 2.3 made plain, IPE has typically approached impact bonds as the financialisation of welfare, particularly in the context of the first SIB project at Peterborough prison and the Goldman Sachs-financed New York City Rikers SIB (cf. Harvie & Ogman, 2019; Ogman, 2016, 2019). My case study on the Educate Girls programme was the first IPE analysis of a DIB. Further IPE research on DIBs appears to be a promising endeavour as DIBs currently are an under-researched field. Further analysis of the usage of impact bonds in international development could move academic discussion on development finance and financialisation along as these ostensibly ‘local’ interventions entail a host of spatial connections and entanglements, bringing together, for example, official donors and private foundations, policy instruments, professional investors, local NGOs, intermediary institutions, and external evaluators in service of delivering the SDGs (Boggild-Jones et al., 2019; Mawdsley, 2018b; OECD, 2019).

Related, in future research I endeavour to shift analytical attention from single impact bonds to so-called outcomes funds, which are geared towards funding a broader series of interventions and services (in parallel or consecutively) through outcome-based finance. As I discussed in Chapter 4.2, several outcomes funds have been deployed in the UK such as the Innovation Fund, Fair Chance Fund, Commissioning Better Outcomes Fund, and the Life Chances Fund. I plan to further scrutinise these funds—and similar vehicles in other countries—as they are both said to be an integral part of the emerging EU impact investing framework (EVPA, 2018) and a potential approach for scaling up impact bonds in low-income economies through multi-donor DIBs outcomes funds (Center for Global Development & Social Finance, 2013b; Impact Bonds Working Group, 2019). An in-depth study of such outcomes funds will allow for fleshing out how such new fiduciary structures pool available funds, stimulate demand for outcomes across local, national and global scales as well as manage risks across an array of pay-for-success schemes (cf. Gugelev, Gungadurdoss, Lee, Sedlmayr, & Stumpf, 2019).

Beyond the provision of social welfare and development aid programmes, factivist finance now also emerges in other domains—which has implications for the literature on financialisation. I therefore plan to take up and develop the notion of factivist finance through research in two specific domains which I outline in the following. First, as the case study of Ways to Wellness in this thesis made plain, factivist finance has wider implications with regard to the financialisation of health. Other examples include the mobilisation of impact bonds to improve the health of low-income children with asthma in Fresno, California (Quelch & Rodriguez, 2016), reduce type 2 diabetes in Israel (Rizzello et al., 2018, Ch. 5.2) or address hypertension (high blood pressure) among seniors in Canada (Farthing-Nichol & Jagelewski, 2016). As the financialisation of public health remains a central concern of the field (cf. Bayliss et al., 2017), I will research the ongoing conflation of PbR and private sector investments as 'the healthcare sector seems to represent a particularly promising field for the application of SIBs' (Rizzello et al., 2018, p. 70). Beyond the pre-financing of health interventions, private sector investments are now also being mobilised to finance the development of treatments. The programme *Mission: Cure* for instance already combines impact investing and outcome-based financing to develop treatments for chronic pancreatitis (The Brookings Institution, 2017).

On an international level, this tendency can be delineated in certain programmes of *The Global Fund*, the world's largest financier of AIDS, tuberculosis, and malaria prevention, treatment, and care programmes. This organisation has started to explore outcomes-based financing approaches for malaria elimination and primary health in different African countries and launched impact bonds addressing HIV in young women in South Africa and supporting tuberculosis case finding and community treatment models in Fiji (The Global Fund to Fight AIDS, Tuberculosis and Malaria, 2019). In a similar vein, the discourse of factivist finance has also been extended to humanitarianism. The first HIB, which was launched by the ICRC, aims to operate physical rehabilitation centres for disabled people in the Democratic Republic of Congo, Mali, and Nigeria (cf. Barnaby Willitts-King, McCartney, Dhami, Llewellyn, & Adamczyk, 2019; *The Economist*, 2017b). Thus, the HIB—which became known as the Programme for Humanitarian Impact Investment (PHII)—also delivers health outcomes, in countries affected by violence and conflict.[150] In view of the findings of this thesis, I will direct analytical attention of prospective research projects to this conflation of a technocratic problem-solving appeal—'smart humanitarianism' (Dale & Kyle, 2016, p. 783)—and knowledges from private sector investing—'humanitarian finance' (Andreu, 2018, p. 708) in short.

Second, my thesis has implications for critical analyses of climate finance, as results-based financing mechanisms are gaining traction in this realm. Recent years have seen the exploration of 'environmental impact bonds' (EIBs) (Balboa, 2016). The first EIB was issued by the DC Water and Sewer Authority (DC Water) in the US, geared towards managing storm water through 'green infrastructure' (Hall, 2017). While the adoption of EIBs still is in an early stage, the World Bank Group has for instance developed the Pilot Auction Facility for Methane and Climate Change Mitigation (PAF) with support from Germany, Sweden, Switzerland, and the United States. PAF seeks to incentivise private investments for projects that reduce methane emissions in developing countries by providing a guaranteed floor price on emission reductions in the form of carbon credits (Ipsos MORI and SQ Consult, 2019). Put another way, PAF is an auction-based pay-for-performance mechanism. This could be an interesting avenue of research on factivist finance, especially since PAF is currently also being explored as a potential way for catalysing energy and resource efficient buildings (World Bank Group, 2018). Another World Bank initiative that points in this direction is the Transformative Carbon Asset Facility (TCAF) which promotes a results-based carbon market mechanism under Article 6 of Paris Climate Change agreement. Operative from 2016 until 2028, TCAF is designed to support different types of direct and indirect carbon pricing efforts in low-income economies by paying for verified carbon assets that result from these actions. The results-based payments could be used to help governments of developing countries enhance sectoral

[150] A further example of the mobilisation of factivist finance in humanitarianism is the concept of 'humanitarian venture capital', whereby a couple of initiatives such as the UNICEF Innovation Fund or the Humanitarian Innovation Fund provide seed capital for experimenting with evidence-based solutions to current challenges of humanitarian assistance provision (Billo & Boyer, 2016).

planning, strengthen the coordination and implementation of low-carbon policies, and monitor sector performance on the emission of greenhouse gases. As the Swiss State Secretariat for Economic Affairs specifies: ‘all these are necessary conditions to create a conducive environment for increasing private sector investment in low carbon technologies’ (SECO – Economic Cooperation and Development, 2018b, p. 1).

The wider implications of this thesis for the study of financialisation in these domains centre on the benefits of a subtle and nuanced analysis of the entanglement of novel financial logics and techniques with more established governmental and economic rationalities. As the emerging development finance regime (Liverman, 2018; Mawdsley, 2018b; Niculescu, 2017) and the emerging EU impact investing framework (EVPA, 2018) seems to increasingly rely on the tools and language of factivist finance, further analyses of this logic of government and its dynamics in the context of health and humanitarianism as well as climate finance will illuminate the study of financialisation processes in those realms. This thesis has offered a suitable theoretical and methodological framework to explore such processes through future research.

8.4 Concluding Remarks

Impact bonds offer investors the possibility to achieve ethically 'meaningful' financial outcomes, make new (and much-needed) funds available for social purpose organisations, and (seemingly) increase accountability for public institutions through facts; as Schram (2015) remarks, 'the whole thing seems irresistible' (p. 162). While practitioner debates about impact bonds are dominated by technicalities—such as the uptake of impact bonds, their effectiveness or macro-economic significance—these debates have recently also sparked discussions about political and normative questions (cf. Eccles, 2016; Giridharadas, 2019; Hurley, 2017; Kramer, 2018; Ronicle, 2016).

This thesis sought to address such questions and discussed an array of inconsistencies and gaps in impact bonds' logic of government, which are politically significant. To be sure, the findings of this thesis are not just about knowledge claims, the ways in which factivist finance (re-)constructs the social or financial subjectivities. The interventions designed and commissioned have very real consequences, they affect the ways in which social interventions are provided. For service users, such effects can range from improved health, education and housing situations to administrative removal and deportation (as shown in Section 5). What I termed 'factivist finance' is not only 'analytically troubling' (Langley, 2018, p. 9) but can also have violent effects on people's lives. Yet, I demonstrated that factivist finance does not only reproduce structural conditions that perpetuate poverty, it also employs these conditions to articulate alternative (if imperfect) responses. This thesis made the case for an ongoing social-scientific engagement with these dynamics. The argument and the findings it provided may serve as a starting point for further respective analyses on pay-for-success contracts and 'factivist finance' more broadly conceived.

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Appendix

Table 1: Author's Interviews in Chronological Order

No.	Organisation Name (if anonymity waived)	Function of Interviewee (if anonymity waived)	Name of Interviewee (if anonymity waived)	Interview Date(s)	Interview Mode
01	Ways to Wellness	Chief Executive	Tara Case	1 August 2017	Telephone
02	Triodos Bank	Senior Manager (Corporate Finance Team)	Jeremy Pannell	17 August 2017	Telephone

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Table 1 – *Continued from previous page*

No.	Organisation Name (if anonymity waived)	Function of Interviewee (if anonymity waived)	Name of Interviewee (if anonymity waived)	Interview Date(s)	Interview Mode
03	Greater London Authority	Senior Project Officer	Jonathan Qureshi	4 September 2017	Personal
04	St Mungo's	Executive Director of Services	David Fisher	5 September 2017	Personal
05	Social Finance	Associate	–	5 September 2017	Personal
06	St Mungo's	Service Development Manager	Kathleen Sims	5 September 2017	Personal
07	OPM Group	Director of Innovation and Social Investment	Chih Hoong Sin	6 September 2017	Personal

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Table 1 – *Continued from previous page*

No.	Organisation Name (if anonymity waived)	Function of Interviewee (if anonymity waived)	Name of Interviewee (if anonymity waived)	Interview Date(s)	Interview Mode
08	Bridges Ventures	Investment Manager	Mila Lukic	7 September 2017	Personal
09	Tim Gray Consulting Ltd.	Founder	Tim Gray	14 September 2017	Personal
10	Triodos Bank	Corporate Finance Manager	Richard O'Brien	14 September 2017	Telephone
11	Social Spider	Managing Director	David Floyd	15 September 2017	Personal
12	Newcastle Gateshead CCG	Chair	Dr Guy Pilkington	18 September 2017	Personal

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No.	Organisation Name (if anonymity waived)	Function of Interviewee (if anonymity waived)	Name of Interviewee (if anonymity waived)	Interview Date(s)	Interview Mode
13	Ways to Wellness	Chair and Trustee Chair	Professor Chris Drinkwater CBE	20 September 2017	Personal
14	Changing Lives	Executive Director	Jo Curry	21 September 2017	Personal
15	Mental Health Concern	Head of Community and Wellbeing Services	Julia Perry	21 September 2017	Personal
16	Mental Health Concern	Link Worker	Matilda Harrison	21 September 2017	Personal
17	–	–	–	22 September 2017	Personal

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No.	**Organisation Name (if anonymity waived)**	**Function of Interviewee (if anonymity waived)**	**Name of Interviewee (if anonymity waived)**	**Interview Date(s)**	**Interview Mode**
18	Coventry University	Professor of Economic Geography; SIB Evaluator	Dr Nick Henry	27 September 2017	Personal
19	–	–	–	28 September 2017	Telephone
20	–	–	–	29 September 2017	Personal
21	UBS Optimus Foundation	Head of Social and Financial Innovation	Maya Ziswiler	29 September 2017	Telephone
22	Thames Reach	Chief Executive	Jeremy Swain	2 October 2017	Personal

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No.	Organisation Name (if anonymity waived)	Function of Interviewee (if anonymity waived)	Name of Interviewee (if anonymity waived)	Interview Date(s)	Interview Mode
23	–	–	–	4 October 2017	Personal
24	Educate Girls	Development Director	Maharshi Vaishnav	5 October 2017; 6 October 2017	Skype Call
25	Big Lottery Fund	Funding Manager (Investment)	Philip Messere	6 October 2017	Telephone
26	Thames Reach	Manager	Michael Buckley	10 October 2017	Telephone
27	Center for Universal Education, Brookings Institution	Fellow	Dr Emily Gustafsson-Wright	13 October 2017	Skype Call

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Table 1 – *Continued from previous page*

No.	Organisation Name (if anonymity waived)	Function of Interviewee (if anonymity waived)	Name of Interviewee (if anonymity waived)	Interview Date(s)	Interview Mode
28	Big Issue Invest	Investment Director	Katy Pillai	1 November 2017	Personal
29	Centre for Educational Development, Appraisal and Research	Senior Research Fellow	Mairi Ann Cullen	8 November 2017	Personal
30	i for change	Founder	Russ Bubley	20 November 2017	Skype Call
31	Instiglio	Chief of Staff	Julia Loraque	28 November 2017	Skype Call

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No.	Organisation Name (if anonymity waived)	Function of Interviewee (if anonymity waived)	Name of Interviewee (if anonymity waived)	Interview Date(s)	Interview Mode
32	Centre for Social Impact Bonds (UK Government Department for Digital, Culture, Media and Sport)	Senior Policy Advisor	Andrew Park	4 January 2018	Telephone